



# Business plan for an introduction of a new project on the Czech market

## Diplomová práce

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## Zadání diplomové práce

# Business plan for an introduction of a new project on the Czech market

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## **Anotace**

Práce se zabývá tematikou jedné z forem alternativního bydlení v minimalistických domech, v anglosaských zemích nazývaných pojmem “Tiny house”, v kontextu tvorby podnikatelského plánu zabývajícího se založením start-up firmy v tomto odvětví. V teoretické části práce poskytuje klíčová východiska tematiky: Prvním tematickým východiskem je založení firmy formou Start-up, druhým východiskem je podnikatelský plán, jeho smysl a struktura. Třetím tematickým východiskem je kapitola, pojednávající o specifikách kultury bydlení v daném typu domů. Kapitola také pojednává o problematice bydlení v těchto domech a jejich charakteristikách. V praktické části text nabízí podrobný podnikatelský plán, rozvíjející projekt založení a fungování firmy NatureApartment, zabývající se organizací výroby a prodejem malých mobilních dřevostaveb typu Tiny house. Práce poskytuje materiál, jež může být prakticky využit v podnikatelském prostředí.

## **Klíčová slova**

Alternativní bydlení, minimalistické domy, podnikatelský plán, start-up projekt, Tiny house.

## **Annotation**

The diploma thesis concerns the topic of one of the forms of alternative living in minimalist houses, in the Anglo-Saxon countries called a "Tiny house", in the context of creating a business plan to establish a start-up company in this sector. The theoretical part of the paper provides key points of the subject: The first thematic point is the establishment of a company in the form of a start-up, the second thematic point is a business plan, its purpose and structure. The third thematic point deals with the movement of living in tiny houses, which began in the United States of America. This chapter also concerns living in tiny houses and their characteristics. In the practical part, the text provides a detailed business plan, following the project of the establishment and the operation of the company NatureApartment, which organizes production and sales of small transportable wooden buildings of the tiny house type. The paper provides material that can be practically used in a business environment.

## **Key Words**

Alternative housing, business plan, minimalist houses, start-up project, Tiny house.

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## **List of Abbreviations and Symbols**

TUL	Technical University of Liberec
B2B	Business to Business
B2C	Business to Customer
WoM	Word of Mouth
PPC	Pay Per Click

## Introduction

The topic “Business plan for an introduction of a new project on the Czech market“ has been chosen for this diploma thesis, while the new project is founding a start-up company for the construction of tiny houses – small, mobile, and affordable housing, which should allow its inhabitants to live closer to nature.

The reason for choosing such a topic is the author’s interest in the field, as it reacts to expensive and often unavailable housing. The rent and property cost makes it harder for young adults in the Czech Republic to become independent from their parents and start living on their own. The author’s personal interest is based on the desire to live close to nature, as well as it is based on his belief that this desire is shared among many more people in the Czech Republic. The author’s aim is to obtain a better insight into an alternative way of living – living in a tiny house. This insight he hopes to use in the future for his own housing and possibly for helping others to be able to use a tiny house as an alternative solution for their own housing problem. The goal of helping people to obtain a better living for themselves, in a nicer and quieter environment, is in time of quite expensive and unavailable housing a part of service to the community as well. The author believes that better living would increase happiness, as a green environment can add up to people’s peace of mind.

A nice outdoor environment and cozy living indoor space have been considered desirable for a very long time, often even appearing in literature. In J. R. R. Tolkien’s book ‘The Hobbit, or There and Back Again’, a quiet, green, and beautiful land called the Shire with its cozy and comfortable underground houses acts as a symbol of happiness and peace. An idyllic harmonious landscape of Hobbiton and its dwellings accommodated by his small race of people, the hobbits, shows that happiness can be found in a simple life in nice surroundings. The small cozy hobbit houses have been described as: “In a hole in the ground there lived a hobbit. Not a nasty, dirty, wet hole, filled with the ends of worms and an oozy smell, nor yet a dry, bare, sandy hole with nothing in it to sit down on or to eat: it was a hobbit-hole, and that means comfort.” (Tolkien, 1994, p. 7). But it is not just the comfort of the housing itself, the beautiful environment and peaceful culture make the Shire so harmonious. It seems very different from the most usual housing of Czech young adults – living in city apartments. This diploma thesis should suggest another possibility for people,

who would like to live in quiet and natural surroundings, apart from buying or building a family house. Living in a tiny house could offer a nice outdoor and indoor environment while being much more affordable compared to a larger family house. So, while it could help solve a housing problem for some people, it could also represent a business opportunity.

The goal of the diploma thesis aims to create a business plan for an introduction of a new project on the Czech market, which will consist of the foundation of a company organizing manufacturing, installation and sales of small transportable wooden houses designed for permanent all-year living. The business plan includes creating of Business model Canvas, formulating a description and model of the business cycle, devising a marketing plan inclusive of a marketing mix and SWOT analysis, forming a financial plan along with estimations of costs, revenues and the amount of sold products in the first four years, and the calculations of the return on the initial investment, creating a plan of the foundation and launch of the operation of the company with an approximate time frame and outlining potential opportunities of future expansion.

The diploma thesis contains a theoretical basis in the first part. The theoretical basis aims to lay the structure of the elements, which are to be used in the practical part. The theoretical part is composed of three chapters, of which the first will introduce the subject of start-ups, as the business plan in the practical part focuses on a start-up company. The second theoretical chapter concerns the business plan, its purpose, structure, and it explains the parts that a business plan may include. The third chapter introduces the Tiny house movement and describes this particular type of housing as well as the lifestyle associated with it. There will be an overview of the advantages and disadvantages of living in a tiny house in comparison with other usual types of housing. The practical part consists of the NatureApartment start-up company business plan. It concerns the project of a foundation of a company, which will organize manufacturing, placement, installation, and sales of tiny houses.

# 1. Start-up

It is one thing to give one definition of a start-up, and it might well describe some aspect that is true of a start-up, but it is entirely another thing to give a whole and comprehensive definition. In literature, the term start-up is defined in many ways, that sometimes it might seem like it is describing a different thing altogether. That is, of course, not so, start-up being so complex that it can have so many aspects, characteristics, and forms. Liv Langmaack and Diana Zharovskikh, in their publication *The Project-based View of Entrepreneurship*, the characteristics of start-up definition that is repeated in different sources. They claim these characteristics are: “age, size, business model, organizational structure, decision-making and strategy” (Langmaack & Zharovskikh, 2016, p. 26).

Zharovskikh and Langmaack also state, that stands a business model in the center of these characteristics. They go on to accept the start-up definition - as a business model - from the article *Service orientation: effectuating business model innovation* published in The Service Industries Journal: “the underlying logic of a firm by which it creates value” (Nair, 2013, p. 959). So, in this definition, it is the logic behind decision-making that can lead an idea to become a successful company.

However, the term start-up is often used as a type of company, a company that has been founded with the aim of realization of an idea that is believed by the founders to have potential in creating value. A comprehensive definition of start-up as a type of company has been published by Liv Langmaack and Diana Zharovskikh at Umeå School of Business and Economics in Sweden: “Start-up - entrepreneurial new ventures possessing certain characteristics (in the following table), which were created as a result of the entrepreneurial opportunity construction by entrepreneurs, following their founders’ perceptions (discovery process) and later making decisions to exploit those opportunities” (Langmaack & Zharovskikh, 2016, p. 6).

<b>Characteristics</b>	<b>Description</b>
<i>Age</i>	Newly established entities less than 10 years old
<i>Size</i>	Employs at least one employee and/or aims at substantial job creation and/or sales growth
<i>Business model</i>	Innovative business model under development (testing with potential customers)
<i>Organisational structure, communication</i>	Open, simple, informal organisational structure without clear roles; Active external network
<i>Decision-making, level of centralization</i>	Highly centralized decision-making; High level of autonomy; No advanced techniques for decision-making; Risk-taking behaviour
<i>Innovation strategy</i>	Application of innovative strategies to compete with existing rivals; Proactive behaviour

*Table 1 - Characteristics of start-ups (Source: Zharovskihk & Langmaack, 2016)*

Seeing start-up more as a type of company, or part of a company's life cycle has been well defined by Mitchel Grant for an article on Investopedia. A start-up is a term referring to a company during the time of its foundation and its early stages of operation. The term start-up does not refer to a certain amount of time or number of stages in a firm's development, but a firm may be labelled as a start-up until it is well-founded, has stable customers or a stable flow of customers and its revenues are higher than its costs in the long run. A start-up is usually founded by one or more entrepreneurs who aim to develop a product or a service for which they believe there will be demand (Grant, 2020).

Related definition, with the point of view more from the side of risk and experience, has been written by Natalie Robehmed, a journalist of Forbes has written about start-ups: "A start-up is a company working to solve a problem where the solution is not obvious and success is not guaranteed," says Neil Blumenthal, co-founder and co-CEO of Warby Parker (Blumenthal; in Robehmed, 2013).

## **1.1 Start-ups' risk of failure and chance of rapid success**

In the authors' opinion, Robehmed's view of the start-up takes into consideration the risk and uncertainty, that is undoubtedly connected to start-ups. While well-experienced companies have detailed and precise business plans, statistics, experience, partners, employees, own funds, reliable financing and loyal customers, start-up founders usually have to work out all of these points. They need to figure out their decision-making, write a comprehensible business plan, find partners, hire employees, find financing sources, and then succeed in finding customers to at least cover their costs. To achieve all these tasks, Grant (2020) suggests that market research and business plan is a place to start, he writes: "Market research helps determine the demand for a product or service, while a comprehensive business plan outlines the company's mission statement, visions and goals, as well as management and marketing strategies."

The risk of failure of a start-up is balanced out by its potential for rapid growth. Especially in cases, when start-up companies bring a new type of product, sometimes the demand for the novelty can increase the profits of the start-up and its value by hundreds of percent in a very short time. Often, developing and manufacturing such a product, suddenly in high quantities or usage, asks for much more funding. Many successful start-ups have solved this need for finances by becoming publicly traded companies, sometimes selling only a certain percentage of their shares. Examples of such companies, which started as a start-up and then became publicly traded companies, are Microsoft, Apple or Facebook (Grant, 2020).



## 1.2 Types of start-ups

Peter S. Cohan (2019), a Lecturer of Strategy at Babson College in Massachusetts and the founding principal of a management consulting and venture capital firm Peter S. Cohan & Associates, divides start-ups in his book *Scaling Your Start-up* into three categories according to the type of its leaders:

- Amblers are people who start and run a family business, employing family and friends.
- Sprinters are leaders who turn a business idea into a fast-growing company and sell it to a larger firm.
- Marathoners are leaders, that turn an idea into a fast-growing, publicly-traded company. Such a company, when it becomes large and strong, usually supports the creation of other start-ups.

In order to divide the start-up by their characteristics, not just by the type of leadership, the typology of start-ups has been published in the book *The Startup Owner's Manual: The Step-by-Step Guide for Building a Great Company* by Steve Blank and Bob Dorf, enlisting six types of start-ups, sometimes called start-up types by Steve Blank.

The first of the six types of start-ups is called Lifestyle start-ups. The founders of Lifestyle start-ups usually aim to exploit their passion for something into a job. Their main goal is to be able to do what they love more, so making their hobby or lifestyle into their job as well offers them to spend their working hours on doing what they love even more (Blank, 2011). In this case, these individuals are satisfied, if they can provide for themselves and their family just enough finances, without the need for maximizing their profits.

The second of these types is the Small business start-up. This kind of start-up is not meant to be scalable and to grow into a large company. Most of the entrepreneurs starting their own small or sole business have the goal in mind to gain enough profit to earn for their and their family's needs and to be the owners of their own business. They often employ their family members or friends. In the United States of America, these small companies make up over 99% of all companies, creating local jobs. They usually do not have access to large financial

funds to grow quickly, nor do they aim to. These small businesses, and such start-ups, include many of the traditional crafts – craftsmen such as carpenters or electricians.

The transition of a start-up into a stable small business happens usually when its founder and entrepreneur gains some experience and has a stable profitable business plan. Blank has stated about these companies: “*They seldom aspire to take over an industry or build a \$100 million business*” (Blank, 2012, p.16).

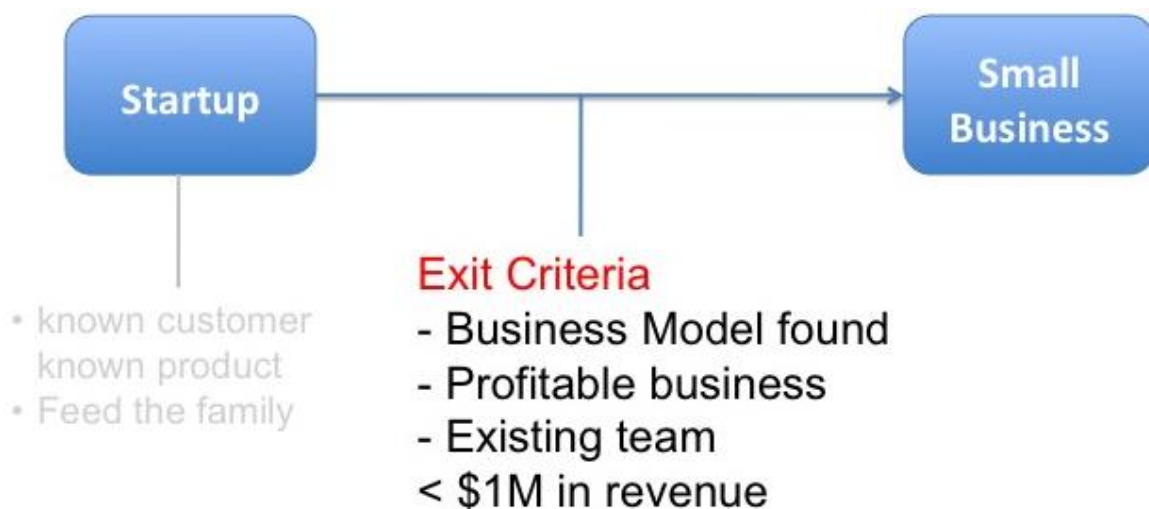
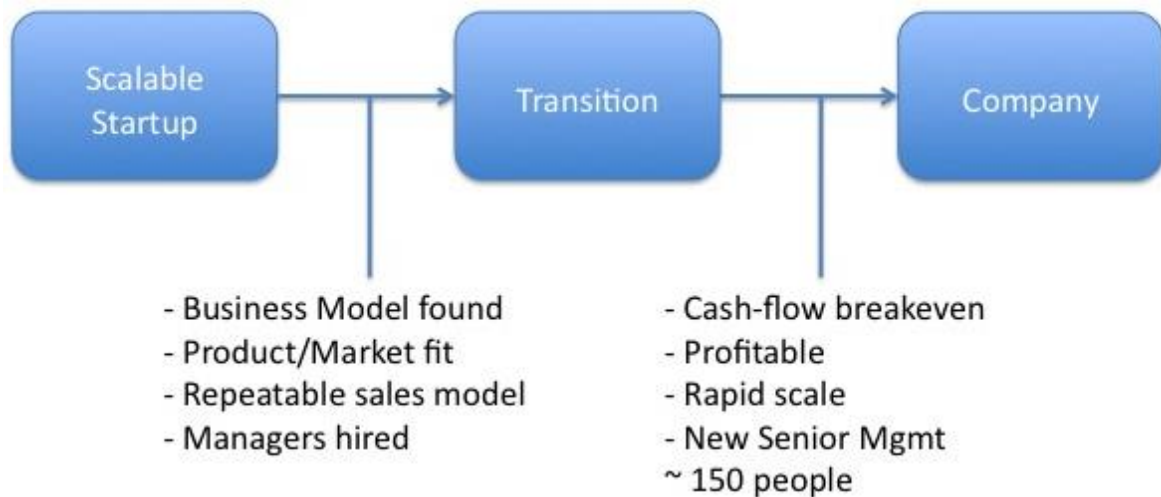


Figure 1 - Transition of Start-up into Small business (Source: Blank, 2011)

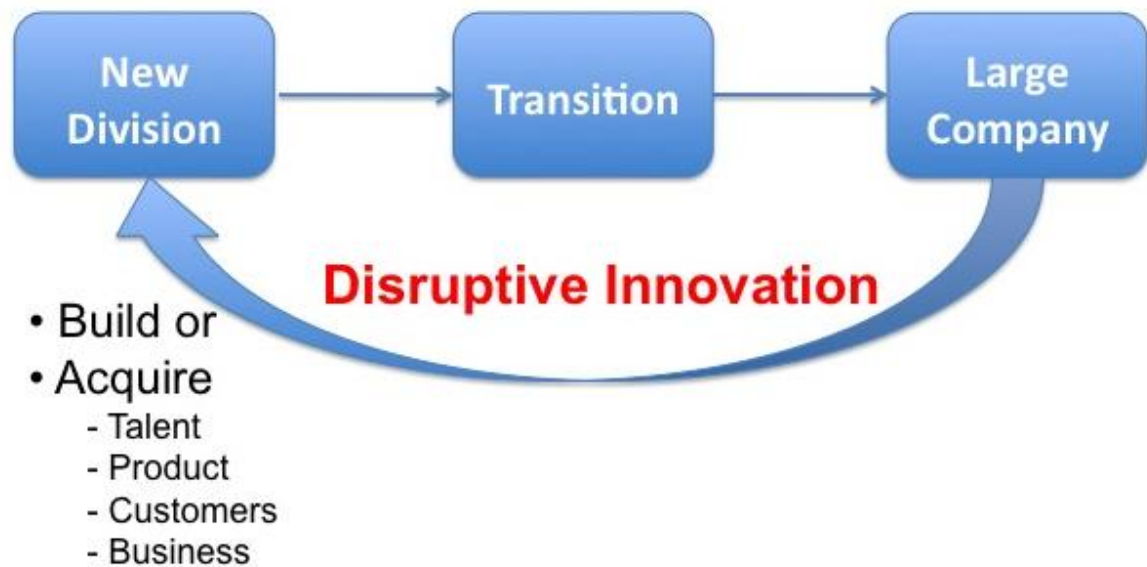
Steve Blank’s third start-up type is the Scalable start-ups. This is the typical Silicon Valley kind of start-up – companies starting small but aiming to grow big with a vision to change the world. According to Blank, “Scalable start-ups are what Silicon Valley entrepreneurs and their venture investors aspire to build. Google, Skype, Facebook, Twitter are just the latest examples” (Blank, 2011). Opposite to Small business start-ups, Scalable start-ups do not aim to make enough profit to provide for one's family but to achieve rapid growth to create value through the worth of the company. These companies need very high external capital, in order to support the growth. Financing is often done in cooperation with venture capitalists, who are willing to accept the level of risk involved. Also, often these companies become publicly traded businesses to gain more financing. The goal is to start generating very large profits and gain the high-value of the company. These start-ups are searching for a scalable, repeatable business model. Once they find it, they are ready to use available financial support and start rapid growth.



*Figure 2 - The development of a Scalable start-up by Steve Blank (Source: Blank, 2011)*

Not all start-up founders wish to lead their new-founded companies to find stable profit or to grow into a large corporation. Sometimes, the founders' goal is to start a company for making a profit from the sale to a larger firm. They aim to quickly establish their business and bring a new product to the market. These start-ups are usually bought by large companies for up to 50 million US dollars. The profit founders and their investors make is achieved by the sale. In the sale, the large firm buying the start-up is paying for the idea as much as for the company itself.

The fifth type of start-up in Blank's typology is the Large company start-up. This type of start-up is not a newborn company at all. It is a company, which has been in service for a long time, but due to change in customer preference change, new technologies, new competitors, and changes in legislation, the company has to innovate into a completely different form or design or develop altogether new product and target a different segment of customers. If the company kept to its current business plan, its demand might fall and the company would face bankrupt. In the case of the need to change products, there are two options for such a company. They can either develop a new product internally or they can purchase a Buyable start-up, that someone else has developed. It might be complicated to develop the product internally for a large firm, as the hierarchy and the corporate culture might stand in a way of big changes. In the following diagram, the renewal process is illustrated.



*Figure 3 - The process of large company innovation (Source: Blank, 2011)*

The last type of start-up in Steve Blank's typology is the Social start-up. The difference, between the Scalable start-up and the Social start-up, is the goal of the founders. While the founders of a Social start-up might not have any lower ambition than the founders of a Scalable start-up, their goal is not to create value for the owners or to gain a portion of the market share. The goal of the founders of a Social start-up is to make the world a better place. The start-up is there to serve the general public, a certain group in need, or its customers. Nevertheless, the company might be regarded as profitable, non-profitable, or hybrid.

## **2. Business plan**

A business plan is a written document of many possible forms, that describes a company and analyses its function, processes, culture, customers, etc. It projects the process of starting and expanding the business in the future, including its financial aspects (McKeever, 2010). Businessman and founder of Solution Matrix Limited® Marty Schmidt (2020) has written about business plans: “The business plan looks forward in time, projecting future financial performance and financial position.”

It is a planning tool for all businesses, especially start-ups. A business plan is useful to all stakeholders of a company, including owners, employees, investors, partners, etc.

The process of writing a business plan should ensure that important aspects of the business had been thought through, while an existing business plan can be used as a guide during carrying out tasks in founding and running the company that the business plan has been written for. Stakeholders, especially investors and partners, might be interested in reading a company's business plan to support their decision-making. The use of a business plan as a document for convincing potential investors is often the main goal while writing a business plan (Evers, 2014).

In the case of newly founded companies, the business plan has to be easily understood by the investor and it has to offer all required information (Pešina, 2016).

## **2.1 The purposes of a business plan**

There are several purposes that a business plan serves as well as there are many users of a business plan.

As it was already mentioned, raising funds from investors is one of the most common reasons why business plans are written. Projection of the future of the company's financial and economic situation and performance is the main purpose of a business plan for many business plan users, especially owners, investors, and potential investors.

Risk evaluation and analysis can also be included in the business plan. Usually, events, that could lead to a different than desired future financial state are listed, along with plans on how to react in these situations. It is also of use to many stakeholders, including the above-mentioned owners and investors.

A comprehensive business plan is also used by the management, for setting business objectives. These may include financial goals, key performance indicators for non-financial objectives, and critical success factors for meeting objectives.

In cost planning and management, a business plan can serve as a foundation for developing budgets and cost structure, as it depicts forecasts for spending as well as expected revenues.

In other words, a business plan often acts as a base document for planning and managing a company as well as for its implementation and financing. It can also be used internally to make decisions in hiring staff and setting corporate culture (Schmidt, 2020).

## **2.2 The structure and contents of a business plan**

The purpose of a business plan, as well as the expected user, are two of the most important factors when composing the content and the structure of a business plan. The aspects, which the business plan includes differ based on the company itself as well. The business plan of a start-up might include other elements than a document written for an established private company or a government or non-profitable organization.

The structural topics mentioned below are some of the content points, which can frequently be found in business plans. In accordance with many aspects of a company, the business plan may not include some of these, or it might include others. Examples of these aspects are: the company type, purpose, and size of a certain business. As every company is unique, an individual approach has to be applied to creating the content and the structure of a business plan. In some cases, the content also might be organized in different ways. There can be several reasons for a different organization of the structure, varying from graphical and esthetic goals to the usage of certain models and methods designed for business planning. An example of such a model is the Business model Canvas.

All business plans have marketing and organizational aspects. These can either be structurally organized in a marketing plan and an organizational plan, or they can be organized in other logical order (Pinson, 2008).

Summary of business plan components (Source: Evers, 2014; Pešina, 2016):

- A. Title page
- B. Executive summary
- C. Business and product description
- D. Vision and value proposition
- E. Business model
- F. Market and opportunity analysis
- G. Marketing plan
- H. Operational plan
- I. Financial plan
- J. Evaluation of risks

- K. Schedule with milestones
- L. Appendixes

## **A. Title page**

The **title page** is usually the first page, which has the purpose of labelling the business plan and comprehensively telling the reader basic facts about the company and its business plan. It should display the name of the company, its field of business, a brief introduction, the address of headquarters, and the names of the entrepreneurs. The company logo is usually also included. It is usually better not to add too much additional info, to prevent confusing the reader. Less is in this case more and graphically well-organized data will appear clearer (Pešina, 2016). A disclaimer is quite often present, announcing the privacy and secrecy of the information presented in the business plan and forbidding its copying and storing without the authors' knowledge (Srpová et al., 2011). A **table of contents** might follow the title page, especially in the case of extensive documents.

## **B. Executive summary**

An **executive summary** is a vital part of a business plan because it is the best tool to convince a potential investor or even a potential partner to be interested in all of the following. It has the function of summarizing the complete business plan while highlighting strategically important facts and notions. It should show who the company is, its origin and history, its usual activity, its product or service, the plan where the company is heading, and the process of developing according to its plan.

It might also include a brief commentary on the situation on the market regarding planned business activity, highlighting competitive advantages (Srpová et al., 2011).

The executive summary can be adjusted and customized according to the current use of the business plan. For example, when using the business plan for obtaining a bank loan, profitability and financial stability should be highlighted, while in the case of presenting a



business plan to potential customers, the product, its benefits, and the way of delivery should be most important.

As an item of a business plan, an executive summary is best written last. Its quality depends on the organized and thought-through information that comes from the later parts. While it can appeal to the emotional side of the reader a little bit, it is usually safer and more convincing to enlist those qualities that can be supported by the rest of the business plan (Pinson, 2008).

### **C. Business and product description**

A **business and product description** is a part of a business plan, which should help the reader to understand the business, its main activities, and product. It is the summary of the new-found business opportunity, such as finding a market gap or new technical invention.

It aims to convince readers, that now is the right time to act in the realization of the new idea. Also, it should convince the reader that the team of the company is the best choice for the realization of such an idea.

It should also briefly analyze the customers, their needs, and our proposition on how to convert the need of the customer into profit. The solution to customers' needs is usually the product. The products (or services) have to be described and characterized. The range of products, that the company plans to offer should be included. In the case of a physical product, its design is described. The function and use for the customer is also included.

Also, there should be a brief production and organization process of goods or services, however, it will be described in more detail in the operational plan. These can be designed and manufactured either by the company themselves or in cooperation with a partner. Another part of the business and product description is the price estimation for the customer. All technical details should be written in simple enough form to be easy to understand for readers without a technical background. And even then, any technical texts should be as brief as possible, with more detailed plans and descriptions in appendixes (Srpová et al. 2011).

#### **D. Vision and value proposition**

The **vision and value proposition** is a more in-depth version of part of the business and product description. It is an overview of the core of a business – the idea itself and the process of turning this idea into value. It includes goals, both financial and non-financial and these goals are meant to be met by the realization of a vision.

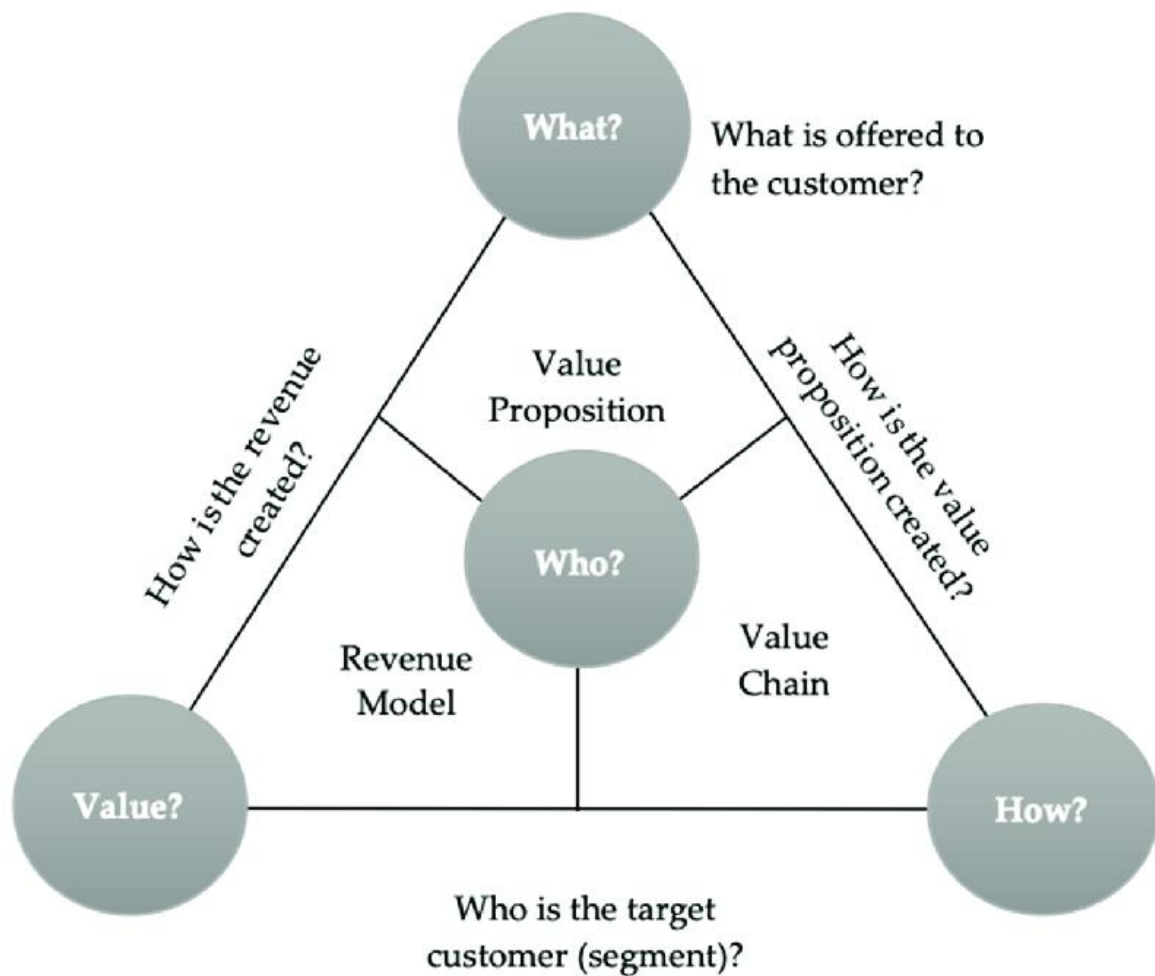
It should start with the idea itself and move step by step into the model showing the process or cycle of turning this idea into a product or service and selling it to the customer (Evers, 2014).

#### **E. Business model**

Usually, a **business model** is a graphical representation of a repeatable process of turning resources, according to the idea, into a product and then turning the product into value. This value is usually financial and it is done by selling the product or service to customers.

As Alexander Osterwalder, Yves Pigneur and Christopher L. Tucci have stated in their article *Clarifying Business Models: Origins, Present, and Future of the Concept*: “allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams” (Osterwalder et al., 2005, pp. 17–18).

In a privately held company, the heart of a business plan is a business model and a business strategy. These two parts describe how and where a company makes profits and how and how and where the costs are paid (Schmidt, 2020).



*Figure 4 - The magic triangle and the four dimensions of a BM  
(Source: Frankenberger et al., 2014)*

In the figure above, important aspects of a business plan are displayed in a graphical representation, as it has been created by Gassmann, Frankenberger and Csik in their collective works on the topic.

An example of a business model is the **Business model Canvas**. It is quite a universal tool applicable to many types of companies. Osterwalder and Pigneur (2010, p. 12), authors of the Business model Canvas, have defined their business model: “A shared language for describing, visualizing, assessing, and changing business models”.

It is widely spread and popular in the management and entrepreneurship world, probably because of its universality, practicality, effectiveness and simplicity of creation and use. It is a way how to depict the processes in a business. It is a very good way to present the workings

of any business clearly and briefly, no matter if it is in the market of goods or services. The elements of the business model Canvas are key partners, key activities, value propositions, customer relationships, customer segments, key resources, customer channels, cost structure, and revenue streams. Each of these elements is stated using all needed parts, which are used in the business process (Růžička, 2019).

## **F. Market and opportunity analysis**

A **market and opportunity analysis** is a crucial part of a business plan, which has the purpose of proving the existence of a market, which the company can join. Sometimes, it is also considered to be the first section of the marketing plan. A throughout analysis of the general market and the market targeted by the company and its product should support high potential of gaining profit. There should be evidence of interest in the company's product on the market. However, this chapter of the business plan should not include a whole analysis and description of the market and every potential group of customers. It should focus on those potential customers, who could extensively benefit from the offered product or service, those, who have easy access to the product or service and should be able and willing to pay for it (Srpová et al., 2011).

But what information can be used for such market analysis? Demographic data can provide an excellent base source, which can usually be obtained from government statistics. It provides data such as average age, income, and education.

The next level to move from demographic data is psychographics. It is the study of demographics that shows the behaviour and preferences of a population. It is information about people's spendings, interests, activities, etc.

In some cases, the business does not aim at the big markets, but rather focuses on small – niche markets. These are small markets with common characteristics. Quite of the, it is less costly to develop a product or service for a narrower target group of customers.

In any case, the most important data to present in this part of the business plan is the size of the market, its growth, the competition on the market, and the new-found company's

opportunities for competitive advantages. The place where the customers engage with the company to purchase its products or buy their services should be considered in this part as well. Very often potential investors and venture capitalists require actual numbers, not just approximations, so it is necessary to undertake market research. In many cases, these researches are quite extensive and expensive. These market researches can be done internally or externally. External market researches are usually much more precise and superior as to the quality of its results. However, it is also usually much more expensive to carry out external research, so it is often sufficient to perform internal market research. Especially, it is more cost-efficient in the case of smaller projects and companies (Pinson, 2008).

## **G. Marketing plan**

A **marketing plan** is a part of a business plan, in which there is everything connected to marketing. It is the complete marketing strategy, usually starting with market analysis and planning the sales, advertising, public relations, etc. Advertising and customer support should usually take place on both offline and online channels. In the case of having a market analysis elsewhere in the business plan, it is good to sum it up at the beginning of the marketing plan.

The number of components included in the marketing plan depends on the needs of the company individually, on its size, type of business, financial ability and its intended customers. A larger project, or a start-up meant to grow quickly, usually incorporates all of these components to launch a wide and aggressive marketing campaign. A larger campaign is more likely to break through to the targeted market. On the other hand, the more extensive the campaign, the more costs there are associated with it.

Already mentioned part of the marketing plan is the market analysis. It is the base of the marketing plan to build upon. It is usually included in every business plan, at least in some level of detail. It is applicable to every business in order to plan all the rest of the marketing. It analysis the overall market (briefly), the target market, competition and the trends of the industry. The target markets need to be identified and inspected in detail. Based on this research are the advertising and sales strategies to be designed. The research of the

competition will show what products or services are already offered to the customer. This information can help in the differentiation of the company's product. It is also good to consider competitors' strengths and weaknesses to be able to work out any competitive advantages. Most information about competitors is usually accessible on the internet. The trends in the field show the preferences of customers. The goods and services of the competitors (and sometimes partners) can show the development in the tastes of customers, which can be used in designing their own product or service. A new product can be either made more alike to the competitors', or it can be differentiated according to the information about competitors and the trends of the industry. The choice to either differentiate or draw closer to competitors' designs depends greatly on strategy.

Another possible part of the market analysis is market research and its results. It is usually much more precise than many other methods such as discussions, however, it is also much more expensive. Among other methods, questionnaires can be handed out and collected, focus groups can be run or telephone surveys can be used in order to gain sufficient information. The results of market researches are very useful in designing both the product and the marketing strategy (Pinson, 2008).

A **marketing strategy** is the part of the marketing plan where marketing objectives and goals are listed. It also includes the plans for achieving the desired market share in a target market. It is the base for planning advertising and other parts of marketing, also budgets are dependent on marketing strategy (Schwetje, 2007).

The first task in order to develop a marketing strategy is writing marketing **objectives**. These objectives should be aimed to pursue a company's business goals. Business goals, such as increasing revenues, can be done with different marketing objectives, according to the situation. Examples of a marketing objective that is meant to increase revenue could be increasing prices or gaining more customers. Gaining more customers could be done even by decreasing prices. It would increase the revenue in the case that the effect of increasing the number of customers would be greater than the effect of decreasing the unit price (Covel, 2018).

**Mission and vision** are the core of the strategy. Even though there are many definitions of mission and vision in literature, Bob de Wit and Ron Mayer (2004) define it as the fundamental purpose or reason for the existence of the company. A mission statement should be a clear, easily understandable message to the general public, which tells the reason for the existence of the company as well as the field of the company's business, sometimes even product. It should also be unique, so it can distinguish itself from the competition. On the contrary to the mission, vision is focused more on the future than on the present. It sets very long-term goals. While vision changes over time as it can be achieved, a mission can stay the same even upon the change of the vision. Nevertheless, a mission can be changed by the company itself as a reaction or means of change or improvement. It is usually the leadership or marketing department that changes the mission (Hanzelková, 2009).

While the market is very wide and contains many distinct groups of potential customers. **Segmentation** divides the market into groups of potential customers who are homogenous, they share one or more common characteristics. One segment of potential customers is supposed to have similar interests in products and services, and have the same reactions to marketing communication and advertising (Hanzelková, 2009).

While segmentation divides the market into smaller parts, **targeting** analyses the segments and evaluates their attractiveness to the company and its sales strategy (Vašítková, 2014).

**Positioning** is the perception of a company's product or service in the minds of target customers, often relating to similar products or services from competitors. A marketer should position a product or service in a way that will be desirable to the target market and at the same time unique from competitors' alternatives. Kotler (1997) has defined positioning as: "Positioning is the act of designing the company's offering and image so that they occupy a meaningful and distinct competitive position in the target customers' minds."

The **method of sales and distribution** determines, how the sales are done and how does the product or service reaches the customer. In the case of physical products, these can be sold in physical stores (*bricks*), online stores (*clicks*), by direct marketing – direct emails (*catalogues*), or by a combination of these methods (Pinson, 2008). In the case of services, it depends on the nature of the offered services and the strategy and possibilities of the

company. There should also be a plan included, how will these methods change and expand as the company grows.

In the case of **packaging**, in the field of physical products, it is often one of the major factors that play a role in the purchase decision of potential customers. Good quality packaging with fitting and original design can go a long way towards increasing sales volume. However, in the field of services, packaging contains the public image and public appearance of the staff that practices the service. For example, in the case of a barber, his or her communication skills along with her appearance and the feeling he or she arouses among the customers might be as strong of a factor in sales as the quality of the haircut itself. In the case of a lawyer, the way he or she performs in public, and their image in advertising and online, is the packaging that can achieve the demand to scale upward.

**Pricing** is another consideration in creating a marketing plan. The price has to be such that will raise demand from potential customers high enough to sell an acceptable volume of product or service for a price that is high enough to make enough profit. Margin to the average costs of the product or service is the key to the profit, considering the sold volume. It is a micro-economical model that in theory is simple enough, but in the praxis of marketing can grow to a complicated matter. Price floors and price ceilings are an effective tool in pricing, setting a price range in which a company can operate. In any way, it is very important to bear in mind, whether one's firm is a price taker or a price setter. Price setters can adjust their prices with much more freedom to maximize their profit (or minimize their loss). However, price taker has to sell their products for a maximal price (price ceiling) set by other companies, usually competitors. Price ceilings are also set by the customers' willingness to pay the price. The price has to be low enough to attract enough potential customers to purchase the product. Also, in the case of some types of products, price ceilings can be ordered by the government of the country, in which the products are sold. Price floor, or the minimum price for which a product or service can be legally sold, is typically determined by the government. Another matter in determining the lowest possible price is the total costs. If the product was sold for less than this minimum price, it would lead to a loss for the company, because the price of the sold product would not cover their costs. If a company wishes to decrease prices even lower, it must decrease its costs accordingly (Schwetje, 2007).



In the matter of **branding**, a brand is not just the logo of the company, its name, colours, fonts and pictures, these attributes are just the signs which shape the brand identity and help people recognize the brand. A brand is a set of unique values, which people are being convinced to believe about the company and its products or services. Brands are supposed to convince people to believe certain qualities of the branded company and its products. When a person sees a logo, it should make him or her excited about the product or service, make him believe in its quality and functionality or some other beneficial value. A brand should guarantee quality and safety (Volvo), reliability (Toyota), friendly and personal use (Apple), it should evoke desire (Coca Cola), make us feel included (Facebook) and much more. It is the identity of the firm, values which the company wants to be associated with and which will be associated with its products or services. It helps to convince a customer to buy a product for a higher price without changing the product itself. Because of brands, people buy not only the product but also the values of its brand, whether it is luxury, safety or passion etc. (Růžicka, 2019).

The **sales strategy** depends on the marketing strategy. It is created by taking information from the marketing plan and forms operative sales objectives. The sales strategy creates a systematically organized plan concerning which customers to contact, how to contact them and how often. It also recognizes key customers and determines how to best serve them. Also, the sales strategy should analyze or consider if the company is targeting mainly those customers, which have the highest potential for growth or offer the highest potential profit. In the case that the company is losing some of its loyal or frequent customers, the sales strategy should also analyze the reason for their leaving and perhaps offer ways in which these customers can be gained back, or at least it should include a plan on how to stop losing more customers. A sales strategy will most likely require an organizational structure, which a model or a road map can represent graphically (Schwetje, 2007).

Incentives and promotions such as discount coupons, free gifts and promotional items can help build awareness and gain loyal customers.

**SWOT Analysis** is a tool, used to assess important elements of a future company that will have a big impact. It categorizes these elements into four quadrants for better viewability. Two of them consist of the internal factors and the other two of the external. Internal factors

are the strengths and weaknesses, and external factors are the opportunities and threats (Whiteling, 2010). A further explanation of a SWOT Analysis in a graphical manner is in the figure below.



*Figure 5 - SWOT Analysis graphical overview (Source: Trinidad, 2020)*

The SWOT Analysis can be used in the marketing and decision-making processes. It is good to consider, how could a company use its strengths to utilize the opportunities and avoid threats, how can a company overcome its weaknesses etc. It is a tool used very frequently in marketing (Whitening, 2010).

**Advertising** is a special kind of communication, which companies aim at their target markets, intending to persuade them into buying a product or a service. The goal of advertising is to attract new customers or affect the purchasing behaviour of past customers into buying more. These potential customers or clients have to be reached out to with an effective campaign (Ward, 2018). As advertising is becoming more and more complex,

growing in competition, quite high expertise is required of a person designing advertising campaigns. An effective campaign has to be done through suitable media, either traditional or online, reaching enough customers with a clear message. Often, a clever combination of a different channel is required (Pinson, 2008).

There are many channels available for reaching the customer. Direct sales, offering customers products or services in person, is used mostly in B2B and on products with very high prices and margins. B2B quite often only uses channels such as catalogues, salesman presentations, fares and public relation campaigns (Schwetje, 2007). In the case of services, it is quite typical for offering the distribution of utilities such as gas or electricity. Door-to-door sales might be a special example of direct sales.

In the desire of reaching many potential customers with much lower costs per reached customer, online tools are very popular. Campaigns on social networks, YouTube, search engines, Pinterest and other websites can reach many customers for quite low prices. It is also able to smartly choose viewers with some characteristics, who have much higher potential to be interested in the company's products or services. Online advertising can also be supported by PPC (pay per click). It can be used with the web services above, or it can be used in the form of banner ads. The benefit of PPC is cost management and effectiveness. A company can place a bid – how much it would like to invest in that form of advertising per time unit, and it needs to pay only for views of the ad to customers who were interested in it and clicked on it to find out more.

Another way of online advertising is email traffic. It can be used to keep in touch with established and loyal customers by sending newsletters.

Traditional media of advertising are still powerful, especially with elderly generations that still do not use the internet much. Television commercials can reach a very high number of viewers in a very wide range (people of different characteristics and interests), while newspapers and magazines have a better chance to aim at potential customers, depending on the field of the magazine.

Another way of advertising is sponsorships and corporate responsibility. By sponsoring well-known sportsmen or artists, or by paying for community service or charity, companies can raise good emotions in people, become more popular and gain loyal customers.

Public relations, contact and personal relationships can have a huge impact in obtaining important customers, partners and projects. It is very important in B2B and B2C. It is possible to use personal contacts, common friends or hire a professional personal relations agency. These agencies can also achieve placing the company's name and products in newspapers and other mass media.

Customer service is an important part mainly in keeping loyal and frequent customers, but it is also an important part of the process of gaining more customers. Customers expect companies to be available for communication via telephone, email, social networks and in the case of a physical store, in person. The mood of the communication and services such as maintenance, guarantee and product return possibility can be very inviting for customers to purchase more products or services next time.

## **H. Operational plan**

An **operational plan** should offer a clear understanding of the way products or services are going to be provided. In the case of physical products, these can be manufactured internally, in their own or rented facilities, or externally, by a supplier. Internal production usually needs a supplier of materials or semifinished products. Also, the way of delivering these products to customers, retailers or other manufacturing businesses. If the whole production, or its part, is done by a supplier company, and failure in receiving materials or products at the right time would cause losses, delays and failures should be captured in the contract between the companies, usually with financial compensation.

One of the ways of capturing an operational plan is to describe the cycle of a product or service from its inputs, through the processes needed (manufacturing, packaging, logistics, warehousing, etc.), to its outputs.

A company's operational plan should match its information to a financial plan, as inconsistencies would very likely cause problems in the future during the company's operation (Evers, 2014).

Another consideration that often should be included in an operational plan is expansion plans. In the case of high demand for a company's products or services, increasing the volume of product manufacturing or capacity of facilities and labour force to provide a service, plans of the process of expansion might be included. This can also be done internally, or externally – by outsourcing. In many cases, it is demanded by potential investors to include an expansion plan.

## **I. Financial plan**

A **financial plan** is a summary of all aspects of the business plan that have a financial side. It takes into consideration all funding, initial and additional, costs and revenues, calculated or planned according to an approximation. It is based on the most precise data available. A financial plan is usually written as a forecast for at least 3 years. The rate of return on the investment is also calculated according to the financial plan. It is regarded as the number one important variable in the investors' decision-making process.

Often, multiple scenarios of the financial development are included, to cover various possible volumes sold, risk, etc. (Evers, 2014). Sometimes, there are two or three possible scenarios, one optimistic, one pessimistic and one in the middle.

Financial plans usually consider three variables. The first is the calculated costs and expected revenues. As revenues usually come much later in the company's launch, costs in this period need to be paid from other fundings, such as loans or venture capitalists. The second variable is the cash flow (Whiteling, 2010). It needs to be planned for at least three years in advance. In the case of unavailability of financial means at some point in time, short-term loans are usually used. The third variable is the estimated balance sheet, which shows the double-entry financial state of a company (Pešina, 2016).

Another important indicator is the break-even point. It represents the volume of sold product for a certain unit price that is equal to the total costs of the production and all that is associated with it (Pešina, 2016). It is very useful for calculating a minimum unit price for a fixed quantity or a minimum quantity for a fixed price.

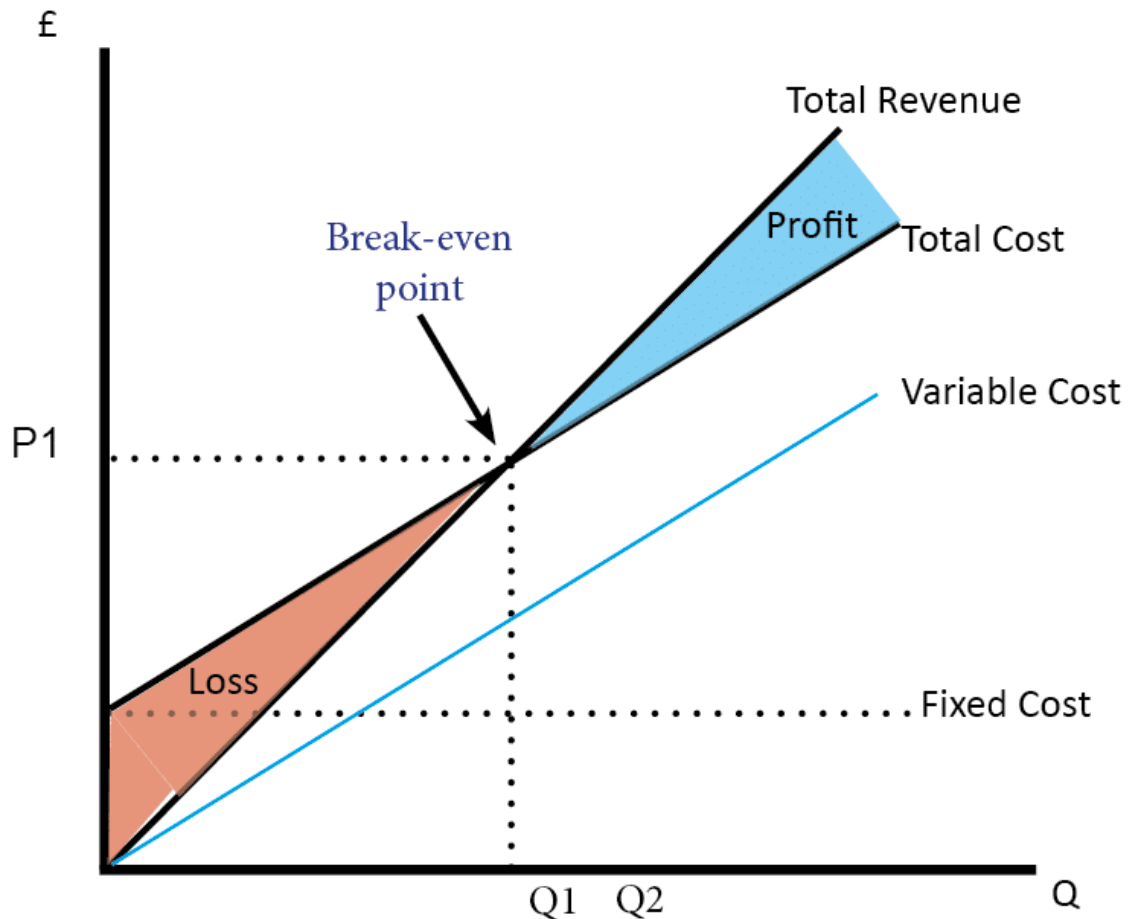


Figure 6 - Break-even point (Source: Pettinger, 2013)

## J. Evaluation of risks

An **evaluation of risks** section systematically analyses and considers any critical risks associated with the business and its operations. These risks vary from an unknown reaction of the target market to the introduction of a new product, new technologies, which cause the product to lose its demand, shortage of important material, etc. (Pešina, 2016). Risks can be categorized as internal, external, institutional (example: change in current laws) and financial

(Evers, 2014). Risks listed in this section of the business plan should also have plans, how they can be minimized, prevented or reacted to. Very usual in practice is transferring risks to partner companies or insurance agencies.

#### **K.      Schedule with milestones**

In the process of founding a new company or making large-scale changes in an existing company, a **schedule with milestones** should be created. It should be written in detail for the near future and it should contain all important activities and events in further future. It should have milestones – points of control of the process. As some activities depend on other activities, these interconnections should be depicted as well, preferably in a graphical representation. This is often done by creating road maps, Gantt charts and other graphical tools. These schedules can also include responsible people from the management and employees for its events, activities and sections as well as deadlines.

#### **L.      Appendixes**

**Appendixes** is a part of a business plan, in which anything, that does not fit into the other parts can be placed. The reason for placing some calculations, models, plans etc. in the appendixes might be its size, technical understanding and nature of the text or figure. It often contains more detailed versions of the information above (Evers, 2014).

### **3. The Tiny House Movement**

The Tiny House Movement has formed as an answer to expensive and fairly unaffordable living in many places. People, who would like to live in a natural environment, enjoying views of the landscape, usually prefer to live in a sole house rather than in a block of flats. Part of the people, who prefer houses over apartments, cannot afford a traditional family house or do not want to give up their other interests and spendings. Some of them have decided to build a house themselves, from simple, affordable materials and in smaller sizes. It has become an inspiration for others and so began the Tiny House Movement, at first in the United States of America, followed by Australia and New Zealand. It attracts people to switch to this kind of lifestyle of living more outdoors with many upsides, including price, maintenance costs, style and many practical and desirable advantages. Czech tiny house architect Vojtěch Valda (2016, p. 14) has described the origin of the Tiny House Movement as follows: “I was also influenced by the Tiny House Movement which crystallized from lower socio-demographic layers as a reaction to the dilapidating ideology of eternal economic growth and the resulting bitter realization that far from everyone can afford a villa with a pool.” And later in the same paragraph he also states: “In general, the movement must be understood as a consequence of political and economic events. It was founded by no-one and is based on no artificially constructed vision of urbanists or any other professional experts. It arose spontaneously in response to the needs and dreams of generations in productive age now.”



### **3.1 The development of housing in time and the types of housing today**

People in any country in the world and at any point in history have been building homes for themselves to satisfy their needs. The need to be protected from cold, wind, rain, wild animals and changing climatic conditions (A Brief History of Human Houses and Homes, 2018). And the desire to increase their comfort of living led them to construct shelters and houses. Even cave dwellers worked hard to modify their caves to fit their needs. Although the materials, design and complexity have changed over time, the needs people ask from their homes stay the same for ages, only with some people being able to satisfy more of them (Valda, 2016). While in some places around the world people are still building very primitive shelters for themselves to satisfy their needs, other parts of the world have moved out of caves, first into cabins and sheds made from collected materials. First houses were built from sun-dried clay bricks and they had entrances from above, from roofs (Lambert, 2020). The development of housing had many directions and form through the ages until it had developed into the form which is seen today.

The types of housing today can be divided into various categories, according to their aspects. These aspects include its size, seclusion (whether it is secluded, joint to other houses or how many living units are inside one building), types of structures and materials, types of foundations, proportions, and roof shape and so on. Types of structures can also be categorized according to their purpose if they are meant for permanent residence or weekend residence, if they are intended for year-round use or if they are only to be used in warm seasons due to lack (or insufficiency) of heating and insulation. Traditional building material nowadays is considered to be brick walling, even though other types of construction have become popular. Wooden and metal constructions fitted with various types of insulation and finishes are an alternative type of housing.

By the categorization stated above and by many other categories, we can divide houses, cottages, cabins, sheds, apartments, huts, and various other structures.

### 3.2 Tiny house characteristics

There may be a time in future when a tiny house will not need to be defined because everyone will know, just as today everyone knows what an apartment is. But what is a tiny house?

A tiny house is a small, transportable building meant for permanent, all-year living. As such, it does not exceed the national limits for trailers or cargo. In the Czech Republic, these limits depend on the type of transportation, for a usual trailer, the maximum width is 2.55 meters, and the outer length depends on the length of the lorry. The maximum length of the vehicle including the trailer is 18.75 meters, which allows for tiny houses to be around 8 meters long. Exceeding these measures would mean transporting the tiny house as oversized cargo, which is possible, but expensive.



*Figure 7 - Example of a tiny house (Source: Nováková, 2020)*

The usual road limits provide enough space for a small house of the size of a rather small apartment, best suited for one or two people. The usual amount of living space is

approximately 25 meters squared or less. That might seem like not enough, but by space-efficient design it can offer enough room for two people, utilizing every piece of the space. In the figures below, there are plans for such a house.

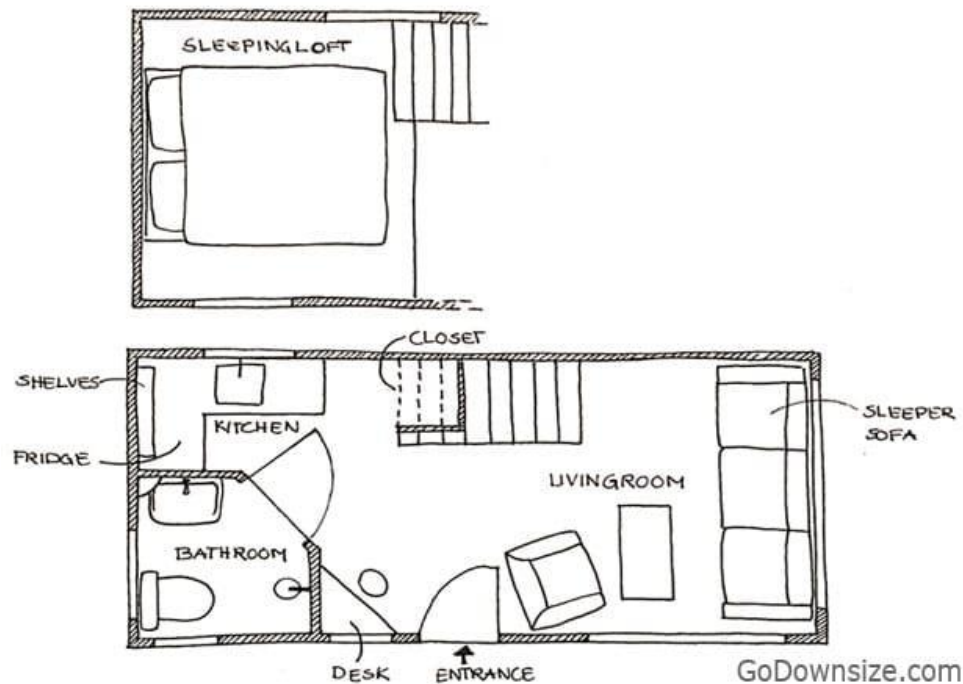


Figure 8 - Example of floor plans of a tiny house (Source: Storgaard, 2020)

Tiny houses are insulated and designed for four seasonal living. The insulation is a little less thick compared to houses, but the space inside is much smaller, and so are the heating costs. Heating is often done with an electricity or gas heating system and an additional wood stove.

As for ecology and sustainability, it is often claimed that all tiny houses are environmentally friendly and sustainable. While it is true that fewer materials and energy are needed for a tiny house due to its size, how ecological or sustainable they depend on the house itself and its builders. Ecological tiny houses can be made from more natural and ecological materials and they can be more self-sufficient and sustainable if they have systems such as tanks collecting and filtering rainwater or solar panels to make electricity.

### **3.3 Introduction of the Tiny house living**

Although living in a tiny house might be a decision made for practical reasons as well as the preference for a natural and green environment, it is more than just another type of living. It is closely associated with an active lifestyle with the desire to spend more time outside. The nature of living in a small, wood-based structure can be very comfortable in warm seasons, giving the resident a chance to spend free time on the front deck and garden, rather than indoors. On the other hand, during colder seasons, it might fit better a person, who spends a big portion of time by various out of the house activities. While in warm weather it offers the use of outdoor spaces, in cold seasons it confines a person to a very small space, however cozy. The amount of living space connects the lifestyle of Tiny house living very much to minimalism – a school of thought that separates happiness from owning high volumes of physical things. Ethan Waldman has written about it in his article on the American web *The Art of Simple*: “The tiny house movement is first cousins with the minimalism movement. I think the biggest shared idea is that since our stuff winds up owning us (due to our powerful emotional connection to it), owning less stuff means less stress/anxiety/debt/unhappiness. You certainly don’t have to be a minimalist to live in a tiny house, but the tiny house lifestyle kind of forces you to be one. But the secret is this: it’s really easy to be a minimalist when you simply don’t have space for additional possessions.” (Waldman, 2014)

Living in a tiny house is not for everyone, while for some people it offers a more cost-effective alternative of acquiring housing of their style, other people would not like to accept its disadvantages. And some people simply do not see the advantages of a tiny house as desirable and will much rather resort to another type of housing, which fits their needs better and is available to them. Still, the number of people in the world who are willing to accept the disadvantages of a tiny house to gain the advantages is rising and popularity is growing, as can be seen especially on social networks.

### **3.4 Comparison of Tiny house living with common types of housing**

It is vital to consider the advantages and disadvantages of common types of housing to provide a background for evaluating tiny houses. These advantages and disadvantages, including the usual price for a home of a certain type, can help towards understanding, why would a person decide to build a tiny house to live in.

Family houses are a traditional type of housing, usually quite expensive to purchase, depending on its location, size, design, condition, practicality, included technologies, size of land, prices of properties in proximity etc. Though most common types of family houses are detached, with at least a small piece of land around them to provide some outside space, usually in the form of a garden, some houses might be joined together with other houses. This is usually on city houses, houses are terraced along a street in a city or town. Terraced houses provide the least outside space and privacy, but still much more than apartments. Quite often, they have a garden suited behind them. Semi-detached houses can also be found, forming pairs. They provide more space around then terraced houses while requiring less land.

They are usually built in more quiet areas, in the outskirts of towns and cities. Its environment usually composes of gardens, featuring more privacy. Family houses are usually considered a higher standard than apartments, especially because they offer more living space, as well as a garage, workshop and event spaces for hobbies and interests. It is possible to add rooms by building extensions and annexes. Gardens, which are usually surrounding family houses provide excellent space for spending free time during warmer seasons (Černíková, 2010).

A traditional house is usually more comfortable than a tiny house, especially because of the large living space, foundations, usually better insulation and so on. Its disadvantages lay in its price and the number of duties connected to the house, its maintenance and cleaning. A smaller-sized house can help save time on these duties. Also, compared to a traditional house, a tiny house can be moved from place to place, which, of course, a traditional house cannot.

The closest and often cheaper alternative to a traditional brick family house is a wooden house or a house built with metal framing. These houses can be built using different construction techniques. A more traditional way of building wooden-based houses is assembling logs horizontally to build log houses and cabins (de Araujo et al., 2016). Wood framing or prefabricating wooden panels to build a house is a more modern and cost-effective possibility, even allowing the house to adopt a style similar to brick houses by using the same wall and roof finishes.

Such houses might be the same size as traditional houses or they might be smaller, the price is usually lower compared to a traditional brick house, depending on insulation, quality of the material and construction, size and many other variables. Compared to a tiny house, the biggest differences are, of course, its bigger size and with that connected duties of cleaning and maintenance. Its price is higher than the price of a tiny house mainly due to size. Also, it cannot be moved to another land easily, just as a brick house cannot.

Apartments are living units of a rather large block. Many families and single people live in apartments in one building and usually, there are more apartment blocks in one location, forming a suburb. Mrs. Černíková (2010, p. 14) states about apartment residents: “Most of the suburb nation is unsatisfied with the low quality of their housing from the viewpoint of housing culture. That’s why there is a considerable amount of modernization and disposition change involved, even though simple optimization of apartments is not enough.” This unsatisfaction with living in apartments among many people is one of the main prerequisites of the growth of the interest of tiny houses around the world, as a substitute to apartments.

Where in a tiny house a person is confined to a small space during the cold seasons, an apartment confines a person to a small space all year long, often without many closeby options to make use of the outdoor spaces. In some cases, apartments feature a small balcony, which is quite incomparable to gardens and open land around tiny houses. In some suburbs, there are park spaces and playgrounds for children in between the apartment blocks, though usually these are not privately kept for the residents only. Such a layout does not offer much personal space, often no garden space at all, but a sense of anonymity can be perceived as a different kind of privacy. However, some people might suffer from this impersonality of their proximate surroundings (Černíková, 2010).

The land is usually expensive to buy, so it can raise the acquisition price of a tiny house much above the acquisition price of an apartment. On the other hand, apartments are often located in, or near, city centers, which increases their price even without buying land.

In the table below, you can see an overview of the usual advantages and disadvantages of certain common types of housing. These are not averages for these categories of housing calculated from extensive statistical research, but it can help to display a more comprehensive and organized summary of the advantages and disadvantages based on the paragraphs above and characteristics of the types, and on typical examples of its kind.

Type of housing	Brick family house	Wooden family house	Apartment	Tiny house
Acquisition price	Medium-high to very high	Medium	Low to medium-high	Low to medium
Acquisition time	Long	Medium	Immediate to medium	Short to medium
Durability	High	Medium	High	Medium
Maintenance costs	High	High	Low to medium	Medium
Heating costs	Medium to high	Medium-high to high	Low	Medium to high
Maintenance and cleaning duties	High	High	Low to medium-low	Low to medium
Surroundings	Gardens, streets, nature	Gardens, nature, streets	Streets, blocks of houses	Gardens, nature
Available space	Medium to high	Medium to high	Low to medium	Low to medium-low
Extending possible by annexes	Yes	Yes	No	Yes

*Table 2 - Comparison of aspects of types of housing (Source: Own creation)*

### **3.5 Types of tiny houses**

Same as with any category of human dwellings, a tiny house is not just one type of housing, but it offers many designs, sizes, features and it is built for different purposes.

The use of a tiny house is usually the first indication in choosing a certain design. A tiny house does not always have to be used for permanent year-round living. It can serve other purposes, such as a weekend cottage, as only a day shelter for example on a small garden located in another place than one's home, as a garden guest house and it might only be used during a certain season, such as summer. The use determines the needs that it has to fulfill and therefore the design as well. For example, a tiny house meant as a guest room does not have to have as much storage space as one meant for permanent residence and a tiny house only for summer use does not have to be heated.

tiny houses can also be divided by the form of transportation how they are moved. While some tiny houses are built on top of a trailer and can be pulled by a car or a truck, other tiny houses are built on top of metal construction, by which they can be lifted to a cargo trailer with a crane to be transported (Whitford, 2018).

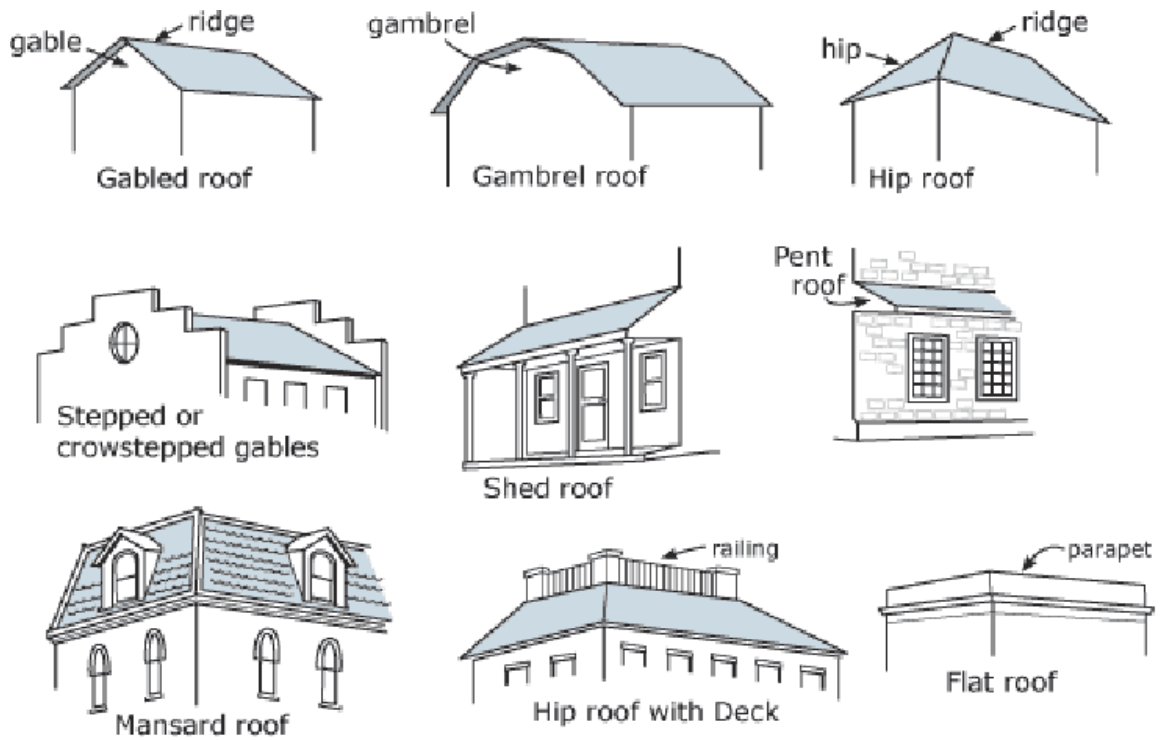
Next, tiny houses can be sorted by the construction technique and material from which they are built. The most common construction is wood or metal framing, but other techniques and materials can be found. For example, container homes have grown in popularity if not in their number.

Roof shape, as both an architectural and practical element, is another way of dividing tiny houses, same as traditional houses. Whether the tiny house has a flat roof, gable roof, or any other roof shape determines the propositions of the space inside as well as the style of the house (Valda, 2016).

Tiny houses can also be sorted by all the usual elements of housing, such as the size of living space or number of bedrooms (sometimes there can be more).



There are also special types of tiny houses. People have been rebuilding old buses into houses, either to be used on long travels or in one place. Cob houses can also be considered tiny houses for their size, even though these are usually not transportable.



*Figure 9 - Roof shapes (Source: Griswold, 2017)*

## **4. Business plan for start-up production of tiny houses in the Czech Republic**

The practical part of this thesis concerns the business plan of the project of a company foundation. The start-up company will organize the manufacturing of tiny houses, with the mission of offering people an affordable, alternative to ordinary housing as well as a business opportunity for creating an original and stylish commercial tourist accommodation. In this part, an overall analysis of the matter is carried out with the aim of the information being applied in business and marketing models and plans. The goal of the diploma thesis is to create a business plan for an introduction of a new project on the Czech market, which will consist of the foundation of a company organizing manufacturing, installation, and sales of small transportable wooden houses designed for permanent all-year living. In connection with the goal, the following research question was posed: How many years and business cycles will take the return on investment according to the financial estimates?

The project concerns a company, which would hold the Czech equivalent of formal status Limited. The Czech equivalent to Limited is “S ručením omezeným”, abbreviated to “s.r.o.” placed behind the name of the company.

## **4.1 Title page**

The title page of the business plan would hold the name “NatureApartment” as its main header and “Business plan” as a subheader. A brief introduction to the business plan of the business follows, in about three lines. There will also be the field of business, address of the company’s headquarters and the names of the entrepreneurs. A logo will also be included.

The graphical organization of the Title page may vary, but it should always have the appearance of an official document. Headers are placed in the top third of the page and aligned to the center. The address and names of the entrepreneurs are at the top right corner of the page and the logo is placed at the top left corner. The rest of the information is organized in a clear, comprehensive way that is easy for a reader to understand.

## **4.2 Executive summary**

NatureApartment s.r.o. will help people, who wish to live outside of urban areas in new, innovative housing.

The product, a tiny house, is a small customizable wooden house with enough living space for two people. It will combine the benefits of an apartment and a family house. The main benefits are living in a green environment, lower acquisitional and operational costs, fewer duties and easier-faster construction compared to a family house. On top of that, the house is movable from location to location, which makes moving to a different city a matter of buying or renting another piece of land.

The main targeting will be aimed at young people without children and elder couples with children living on their own.

The building process of the product will be based on cooperation with a partner – a construction company.

The business cycle of the company will be centred on one customer and the construction of an ordered product, its delivery, and details.

Financing of the founding period will be done by a loan and the business cycle will be financed by the customer's payment and own sources, without the need of other funds.

Marketing of the company will be built on customer satisfaction, resulting in word-of-mouth advertising. Own marketing will comprise a showroom, online campaign, and realty offices (founding period).

The main values of the company are customer satisfaction, reliability, and affordability.

## **4.3 Business and product description**

### **A. Business description**

The company NatureApartment s.r.o. is an agency that will help its customers to obtain a living for themselves that will be both affordable and provide living in a pleasant, natural environment. However, the company will not manufacture any wooden structures on its own, rather it will outsource the manufacturing to a partner company – a wood building company. NatureApartment will use its marketing campaign to offer tiny houses to potential customers and then outsource the manufacturing to a partner company. Outsourcing of manufacturing of tiny houses will ensure high scalability of the business, as more building companies can be contracted as partners. The finished product will then be delivered to the customer's land and installed there by NatureApartment internal and external workers. Financially, there will be as little costs of financial capital, as the payment for manufacturing will be due to the partner firm after the tiny house has been paid for by the customer. Past customers will also be offered to participate in the marketing campaign, they will receive commission upon sales. Business activities of NatureApartment will be further described in business models, in the following chapters (e.g., Business model Canvas).

The main purpose of the project is to provide people with the opportunity to live in an alternative type of housing, mostly an alternative to an apartment, with a benefit of a better living environment. Even though due to its size it is mainly an apartment substitute, it might also substitute a larger family house, for people who wish to downsize to have fewer duties or lower financial burden. Another use of a tiny house would be as an alternative to a traditional cottage or garden cabin.

### **B. Product description**

At the founding and early existence period, the company NatureApartment s.r.o. will only have one type of product – Tiny house Aspen. This version of a tiny house was designed in the United States of America by Dot and Byron Fears in 2014. The house has been designed

for 4 seasonal living ideally for one or two people – a couple. The insulation is planned to be sufficient for economical heating in winter. It has enough space to host friends for meals or even evenings, as it provides enough space to have up to three people stay overnight.

### **The construction**

The construction of the tiny house will be made by wooden framing set on a metal base. The base will either be metal beam construction by which the tiny house could be lifted with a crane onto a truck to be moved. Or the wooden framing can be set on top of a trailer, if required by the customer, to be pulled by either a strong car or a truck. This would allow for easier and cheaper transportation of the finished tiny house. This customization would, of course, be more expensive.

The dimensions of the construction would satisfy the Czech regulations for maximum cargo weight and length. The weight of the whole building would be approximately four centimetres lower than it is on the tiny house Aspen plans from the United States, to adjust for the difference in road regulations. The outer width of the tiny house will be 2,55 meters and the length will be approximately 7,32 meters (Kovář, 2018).

The base would be insulated and the floor would be placed on top of it, the wooden frame would also be insulated and covered with a finish of customer's choosing from the inside and the outside, as it is described in more detail below. The frame and base would also be fitted with electrical and utility installations as well as with waste disposal plumbing. The heating system, again of the customer's choosing, would be also incorporated in the base of framing as well as a chimney. An intended combination will be an electric radiator or floor heating and a wood stove.

### **The exterior**

The exterior of the tiny house will be a quite traditional looking small cottage, with a gable roof split into two parts with the same ridgeline but different inclination, allowing more headroom at the loft. If required, the part of the roof above the loft can be made flat to provide

even more headroom on the side of the bed inside. Both of the finishes of the roof and the wall will be up to the choice of the customer and it can have more types of surfaces on one building. The walls may be covered in wood planks, wood panels, flat stones, etc. The roof can be covered with basic roofing felt, tiles, shingles or even thatch.

### **The interior and its customizations of layout**

On the inside, the walls, floor, and ceiling of the tiny house will be finished with the material of the customer's choosing, as was already stated above.

As it was intended, the inside has four main parts, on the lower floor, on one side there is a bathroom with a water closet and a kitchen. On the other side, there is quite a spacious living room with a dining place. Above the kitchen and bathroom, there is a loft – not a full height floor, but enough space for a person to stand on his or her knees without hitting his or her head. The loft is usually used as a bedroom for two people, even though couples that would prefer to sleep on the lower floor could switch it with the living room and have a living room upstairs. Another smaller loft can be added to the side of the living room, just above the sofa. This can be useful for hosting friends overnight as it, depending on its size, can sleep one or two people. Another one or two people can sleep on the sofa. In most cases, this additional loft is used as storage space.

Though the description of the interior above is the layout for which it was designed, many other options are possible. For example, people with a passion for cooking might wish to have an even larger, more spacious kitchen, which could be placed in the part with the most headroom, which is usually meant for a living room. The living room itself might then be placed in the middle part of the house, partly under the loft. This change of interior setting might be more fit for warmer countries such as countries of southern Europe, where it is expected to bigger part of a year using the outside spaces as main living room.

Another option of layout for single people, or very tall couples, is to not have a loft at all. In that case, there will be plenty of headroom in all of the tiny house, even while having an extra room above for storage in the form of a small attic. This attic would be placed much higher than the loft would have been, making it uncomfortable for sleeping but with enough

room for storage. The attic would in most cases be above the bathroom and depending on its required size, also above the intended kitchen space.

In another way of saying, the only fixed part of the layout is the bathroom with a water closet, which is located on one side of the lower floor. But its length – and that way its size, is up to customer requirements. It depends on the customer what proportions of the intended bathroom, kitchen, living room and bedroom loft will be.

It has been designed to be comfortable for people up to one hundred and ninety centimetres tall, with enough headroom under the loft – in a spacy kitchen, bathroom and restroom (Aspen Tiny House: Tiny house plans).



## **4.4 Business model Canvas**

The NatureApartment s.r.o. Business model Canvas shows the company and its elements from different points of view to allow thinking the project through from more sides. Such analysis and general thinking process help develop a business plan and consider many of its important points. In the case of NatureApartment s.r.o., it shows the same systems, processes or matters in some cases, just from a different perspective. In other cases, it helps to picture different aspects of the business separately for consideration (Anggraini & Apriyani, 2019).

### **A. Key partners**

The key partners are the core of the physical product manufacturing and delivery to the customer. The main partner of NatureApartment s.r.o. is a wood construction company, supplying the physical product that NatureApartment s.r.o. will advertise, sell, and install, as the main contribution of NatureApartment s.r.o. is a service - the organization, sale, customer support and assistance. The wood construction company will be contracted and any orders for new products from customers will be forwarded to them, along with a financial deposit. After finishing and delivering the product, the wood construction company will be paid by NatureApartment s.r.o. for the goods according to the pricing included in the contract.

Another key partner will be the delivery company. This company has to be chosen and contracted also according to their technical possibilities of the sizes and weight their trucks can carry. The delivery company will be asked to transport the finished product from the wood company workshops to the prepared land of a customer for installation.

Partner companies for setting up waste disposal systems and utilities will be also contracted as well as companies supplying material for the preparation of land for the tiny house placement and installation. The recruitment company will be also chosen and partnered based on a contract to assist in hiring an external workforce for manual labour, landscaping and gardening.

Marketing agencies might be used to provide certain types of advertisement such as designing a website and its optimization for search engines. Webhosting provider will be chosen to purchase a domain and store the web presentation of NatureApartment s.r.o. PPC advertisement can be done by the staff of NatureApartment s.r.o. themselves, but it will be consulted with the marketing agencies. Partnership based on contracts will be made with phone service and internet providers and a bank.

The last but not least partnership group will be past customers, people already living in tiny houses. These people will be asked for cooperation to make a review video to be presented on YouTube, social networks, and website. Past customers will also be offered to become a real-life showroom, with the chance of being paid a commission if they bring a new customer in. They will be offered a choice whether they would like to be listed on the NatureApartment s.r.o. website to get more visitors (announced in advance to schedule a visit) and thus a chance of more sales, or if they would like more privacy by only inviting people to their home themselves through word of mouth.

## **B. Key activities**

The activities start by raising awareness and reaching potential customers. These activities will be designed during the implementation of the business process and later revised and adjusted by the staff, in cooperation with partners, mainly an internet agency and Webhosting provider.

Upon reaching an interested potential customer, communication will follow, including visits at own showroom as well as assistance in scheduling visits in past customers' real-life showrooms. These activities will have the aim to help potential customers to make their decision whether they would like to live in a tiny house and it will have mostly informative nature, acting in a fair and non-manipulative way toward the customer to ensure their satisfaction later. A call-to-action offer may be offered to make the deal more interesting to the customer in form of an offer of preparation of their land or assistance when acquiring land fit for placing a tiny house.

When an order for a product will be received from a customer, details about customization and customer requirements will be sorted out and the order will be sent to the wood construction company along with a deposit.

The process of preparation of land will be carried out in cooperation with the customer. The organization will be done by staff in assistance of an external workforce to help with the manual labour – landscaping, placement and preparing waste disposal and utility systems.

After the supplier will finish the manufacturing, an invoice will be sent to the customer to schedule the installation of the tiny house to the prepared land. The shipping company will be asked to deliver the tiny house at a certain time and date to be installed.

The installation process will be done by tiny house staff and hired external workforce in place. It will consist of the placement of a tiny house onto a cement base, utilities and waste disposal will be set up, landscaping and even gardening finishing touched if ordered by the customer.

The payments for the production to partners and suppliers will be sent after receiving the payment from the customer for the delivered and installed tiny house. In case of delayed payment from the customer, these payments will be paid by NatureApartment s.r.o. instead, to keep good relationships with partners.

Customers, that will already be living in a tiny house will be asked to cooperate in creating review videos to share their experiences and stories with potential customers. There will also be communication between the staff of NatureApartment s.r.o. and past customers, offering the customers an opportunity to use their housing as a real-life showroom, either advertised online or just by the word of mouth. The customers would receive provision in case of sale.

### **C. Value propositions**

A product or service has to be appealing to potential customers, it has to solve a need of a potential customer and it has to be in the right price range for the targeted segment. A failure in each of these three elements might cause a potential customer to decide not to choose such

a product, but most important is the appeal. Potential customers that look for housing have the need, but they are going to notice the tiny house firstly for its appeal, look and emotions before they even start considering the price, operational costs of running such place later and how well it fits their needs. So, the tiny house will first of all be appealing, nice housing to desire to spend time in it. Also, it will be customizable and versatile to fit the need of potential customers better, offering more possibilities for how the interior and exterior can be built. The main target is young adults and many of them are not sure whether they will stay (living) in one place for an extended period.

However, the price has to be realistic and affordable because if compared to a house, it offers much less space and a traditional house is a superior solution in many aspects, maybe except in requiring more maintenance and duties. The main benefits of a tiny house require less time spent on maintenance and cleaning and its movability. But the main benefit is the price, which should be considerably lower than the price of a house.

#### **D. Customer relationships**

Friendliness should be the overall feeling that a customer or potential customer will remember from a meeting or a call. The customer should be always warmly welcome and any need of his/her is important, as the vision of the company is to help people to live closer to nature, with more peace and happiness in their life. The communication should not be that much convincing to buy, rather it should be helpful and informative, leaving the potential customer with a desire to speak to the company staff again because they did not feel manipulated or pushed and on the contrary, they felt warmly welcome even if they did not purchase. Helpfulness with feeling enough space for the customer to make his/her own decision might make the tiny house living in a green environment more exciting and more appealing to live in.

## **E. Customer segments**

The main segment according to price is the lower-middle to middle income group. These are people with stable jobs, who can afford the purchase of land and the tiny house product, either in saved up finances over some time, with the help of a bank loan or mortgage or other types of financing. It is an income group interested in price-effective housing. Within this income group, some may prefer to live in city apartments, some will prefer to buy or build a traditional house, while some will be interested in alternative structures such as a tiny house. Those interested in alternative, stand-alone housing are the target segment for NatureApartment s.r.o.

Due to the small size of a tiny house, it provides enough living space for couples or single living people. Families with children are outside of the main target group as they require more living space than a tiny house can offer, even though some families might be interested in extending a tiny house by adding rooms in form of an annex or by purchasing two or more separate tiny houses.

The main segment is young people mostly in their twenties and early thirties, looking for price effective housing in a more natural environment than an apartment can offer. These people are interested in spending time outside and living in a quiet place. In case that these people are not settled down in one place and unsure whether a need for moving to another place might occur, the movability of the tiny house will benefit this segment with the opportunity of moving their current housing to another parcel, either purchased or rented.

An alternative segment of interest is couples with children living out of the house that wishes to decrease their living costs and maintenance duties by moving to a smaller place while not sacrificing their quiet space and an environment of a garden. Seniors, either couples or widowed, might be a group interested in living in a tiny house to decrease their maintenance duties, too.

## **F. Key resources**

As the main contribution of the company is essentially a service, the main resources are people and their time. All the marketing and organizational activities are carried out by the staff, moving phase by phase along the business process. From raising awareness among the targeted segments of customers, getting in touch with potential customers that are interested in the product, through an order to having the product manufactured by the partner – wood construction company. Time of the staff is needed for all the organizational tasks, communication with customer and partner as well as for financial transactions.

Other resources are information and communication devices such as computers and phones to carry out many of the tasks from an office space or elsewhere. Cars, office supplies and equipment are also needed. For the preparation of the customer's land for the placement of a tiny house and the installation itself, an external workforce (labour, time, people) is used, hiring external workers to prepare the space for placing and installing the tiny house. That includes materials such as cement, wooden beams, water and electricity installation materials as well as materials needed for any other utilities and requirements ordered by the customer.

Financial means are also needed as a resource of purchasing material, equipment, services and paying wages to the staff. Loans will be needed for implementing the operations of the company and its marketing, but the manufacturing process is set up in a way that the Cash flow should be balanced and need not any loans to finance the process, as the partner companies will be paid after receiving the payment from the customer. Although the business plan is specifically designed to be mostly self-sustaining from the cash flow point of view, in case of delayed payment from a customer or other unexpected event, any funds exceeding the amount usually held by the company will be loaned from a bank according to present contract and repaid either after receiving the delayed payment from the customer, after a sale of the already manufactured tiny house to another customer upon cancellation by the original customer or from the company profits. These unexpected costs may be payments to partners and suppliers, wages, purchases of materials and equipment etc.

## **G. Customer channels**

Channels to reach potential customers will lie mostly on an online campaign and later on word of mouth. For the online advertising, the website, YouTube channel, Pinterest, social networks, and realty search engines will be used, while PPC will be used to promote tiny houses on these sites. During the time of founding the company, realty offices will also be offered sale commission to help get the first customer, in order of starting word of mouth advertising. Marketing will be assisted by the past customer in three ways, firstly the customers will be asked for cooperation on creating video reviews to be shared online. Secondly, customers will have the opportunity to receive a commission fee for sales of tiny houses through word of mouth. The third way of past customer partnership will be listing past customers online as real-life showrooms, so they could be contacted by interested potential customers to schedule visits and answer questions. They would be listed, of course, only with their agreement and they could be taken down from the real showroom list at any time. They would also receive a commission fee in the event of a sale.

To help start a conversation with a potential customer, a contact form will be added to the NatureApartment s.r.o. website, along with other contact channels. Communication over the phone, social media, email or a personal meeting (depending on location) will also be available.

Communication with the staff should serve potential customers in their decision process, and the communication should be informative rather than of persuasive character, so the customer does not feel manipulated. Past customers can also help in the decision process, by being asked their feedback by both staff and potential customers. Their participation would in that case be optional.

Along with receiving an order from a customer, a financial channel will be used for a deposit and later payment for goods and services. This can be done by different financial bridges such as wire transfer, PayPal or invoice.

The delivery of the tiny house will be done by a supplier – a cargo shipping company. The preparation of land and installation of the tiny house will be done by the staff and external

workforce hired with the help of a recruitment agency and in cooperation with firms in the field of utilities and waste disposals.

After all the business cycle of one customer will be completed, past customers will be offered to participate in marketing in form of review videos, word of mouth, real-life showrooms and communication with potential customers as described above.

## **H. Cost structure**

Cost structure will be organized in a way to maximize paying costs straight with finances received from revenues and so minimize the usage of own funds or loans. This way, the costs caused by interest rates are mostly transferred to suppliers. By paying obligations after the product manufacturing has been finished, payables can be paid after, or very close to receiving payments from the customer. This is of course mostly done in case of costs of manufacturing and shipping, the cost of financing marketing, wages and other expenses still lie on NatureApartment s.r.o. and have to be compensated in revenues.

The highest expenses will be payments to partners – mostly to the wood construction company, manufacturing the product. Other major expenses are marketing costs, shipping, internal and external wages, costs for preparation of land and installation of tiny houses, including setting up systems and networks for utilities and waste disposal. Other costs might be also sale commissions, travelling costs and operational and maintenance costs for own showroom and office. Other minor expenses can sometimes apply.

## **I. Revenue streams**

The highest source of revenues is planned to be the price of tiny houses paid by the customers. This price will have a fixed base to which extra requirements, services and customizations will be added. In some cases, the base price can be lowered for extra marketing purposes. Additions to this fixed price base will be preparations of land, installations of extra equipment like solar panels, setting up utilities and waste disposals for the customer etc.



As it was mentioned in value propositions, the price of a tiny house should be lower than the price of a house. In comparison to an apartment, a tiny house offers a very different appeal. While an apartment is usually in a larger building located somewhere in cities, a tiny house is meant to be placed on land in the more open, green environment of a garden or nature. So, it should be appealing as an alternative to living in an apartment. It does not need to be equal in price in that sense, but the price has to be affordable for someone, who would otherwise probably lived in an apartment.

Additional requirements and assistance services will be minor sources of revenue (Aydin et al., 2020).

## 4.5 Business cycle

The business cycle of NatureApartment is a repetitive order of activities, which in one repetition focuses on one customer and his or her order. It is a process, which can be adjusted according to need. It concerns several entities, which play key roles in finding a customer, producing and delivering the ordered tiny house, and installing it on the customer's land. The entities involved are NatureApartment itself and a contracted partner firm – namely a wood construction company and a shipping company. Another entity in the business cycle is the customer itself. NatureApartment takes care of marketing, communication with customers and partners, organization of work, financing and any other needs which might in special cases arise. The production of the tiny house is outsourced to a partner – a wood construction company. Once the construction of the product is finished, NatureApartment is notified and sends a request to another partner - a shipping company – to have the tiny house delivered to the customer's land. At the same time, NatureApartment prepares the land for the installation of the tiny house according to the customer's wishes. After the tiny house is delivered, NatureApartment finishes the placement and installation. The preparation and installation process may be done by internal or external workers, according to an individual project.

Once the tiny house has been delivered and installed, payment from the customer is processed. If it is delayed more than to a contracted period, additional costs apply, in the form of interest. Partner companies are paid up to three months from finishing their services. In case of timely payment from the customer, no loan is needed for paying partners. In the case of delayed payment, a pre-contracted bank loan is used to pay partners and the interest is billed to the customer.

If the customer is satisfied with the tiny house and the service of the company, he/she is offered to participate in a WoM program, in which past customers may receive a commission on the sale of another product.

The business cycle is depicted in two graphical representations, one being a schema and one being a schedule. The schema of NatureApartment's business cycle (hereinafter referred to as 'the schema') displays activities in the form of information flows, physical flows and

financial flows between the entities. The schedule of NatureApartment's business cycle (hereinafter referred to as 'the schedule') transforms these activities into the form of a table, assigning each step an approximate time frame.

#### **A. Schema of NatureApartment's business cycle**

As was already mentioned above, the schema is a model composed of two types of graphical elements. Boxes with text represent entities, NatureApartment company, partner firms and customer, and arrows represent activity flows. There are three types of arrows, full lines show physical activity flows, dashed lines stand for information flows, and dotted lines serve as financial flows. These arrows connect two (or more) entities with activities. In some cases, these activities are one-sided, whereas in other cases, these are both-sided. A special case is cooperation with past customers on marketing, the customers' participation in sales, which is a continuous process. Each of these flows is labelled with the specific activity, which it represents. Each of the flows is also done in colour assigned to the department to which it mainly belongs. Orange stands for marketing, blue stands for operations and green stands for finance. The activity flows are also numbered in order of their execution, which corresponds to the number of phases in the schedule of NatureApartment business cycle in the following subchapter. For better clarity, the schema is provided with a legend, which depicts the types of flows and their assignment to the department.

As it is shown by the schema, the first of the processes of the cycle is marketing (flow number 1 of the schema below). It is of course not the whole marketing of the company, it is the part of a marketing campaign from raising awareness among targeted potential customers to receiving an order. It includes advertising, online and offline communication and assistance to potential customers in their decision making and selection of their preferred customized design of the tiny house. When the company NatureApartment receives an order (2a) along with a financial deposit (2b), they pass the order for the customized tiny house to the contracted wood construction company (3a), also along with the financial deposit (3b). When the tiny house manufacturing process is finished, the partner construction company sends an invoice (4a).

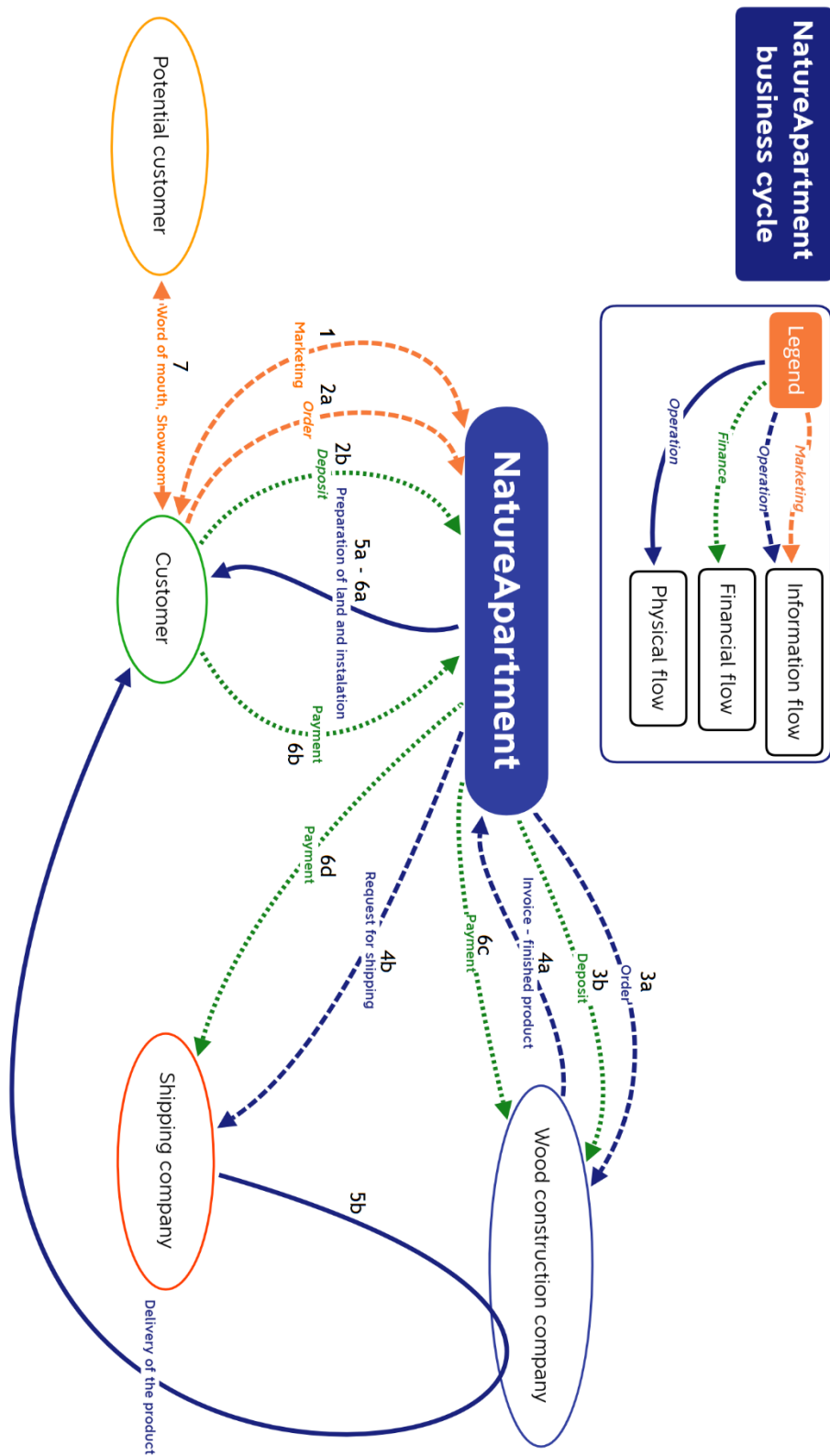


Figure 10 - The schema of NatureApartment business cycle (Source: Own creation)

NatureApartment sends a request to the contracted shipping company to deliver the finished tiny house from the construction company workshop to the customer's land (4b). They also prepare the customer's land for the installation of the tiny house, using internal and external workforce according to individual need (5a). When the product is delivered (5b), the tiny house is placed by the NatureApartment on the customer's land and installed to energies and waste disposal (6a). This is again done by internal and external workers.

In this case, the payment from the customer is received on time (6b), the finances from the customer are directly used to cover the production and shipping costs by paying partners for their services (6c, 6d). In the case of payment delayed more than for the period until payments to partners are due, a bank loan is used for these payments with the interest charged to the customer.

The last activity flow in the schema is the offer of participation on NatureApartment's marketing to the past customer (7). Satisfied past customers are offered the opportunity to help advertise the tiny house products by WoM and by using their own home as a showroom (9). In the case of a sale, they receive a commission.

## **B. Schedule of NatureApartment's business cycle**

The schedule of the business cycle is a table view version of the schema, dividing the steps, or phases, of the process in rows according to the responsible group which is depended on to fulfil the task. These responsible groups are the departments of NatureApartment, namely marketing, production and operation and finance, or they are partner companies.

Business cycle schedule					
		Phase 1	Phase 2	Phase 3	
Marketing	Advertising	Potential customers	Order	Production	
	Word of Mouth	Reaching potential customer	Order received from customer		
	Real life showrooms				
	Own showroom				
	Online campaign				
Production & Operations	Real estate offices and agents				
			Order sent to partner		
			Non-refundable deposit from customer		
Finance			Non-refundable deposit sent to manufacturing partner		
Wood construction company				Construction	
Shipping company (supplier)					
Approximate time frame (2 months and 11 days to 6 months and 20 days)	Continuous	According to customer	2-3 working days Start of the cycle (one customer)	2-4 months	

Table 3A - NatureApartment business cycle schedule – first half (Source: Own creation)

Phase 4			Phase 5			Phase 6			Phase 7		
Completed product			Shipping			Payment			Customer marketing		
									Word of Mouth		
									Real life showroom		
									Video review		
Invoice from partner - finished			Preparation of customers land			Installation process of the delivered Tiny house, landscaping and gardening					
Request for shipping						Payment from customer					
						Payment to manufacturing partner					
						Payment to shipping partner					
Shipping											
1-3 working days			1-2 weeks			up to 2 months (customer)			On going		
						End of the cycle (one product)					

Table 3B - NatureApartment business cycle schedule – second half (Source: Own creation)

The activities necessary to complete the cycle are in order of time, in which they need to be completed. The cycle of one customer starts in phase 2 and ends in phase 6. The advertising period and phase one concern obtaining that customer, while phase 7 focuses on cooperation with the past customer in reaching and obtaining new customers and starting new cycles. In

that sense, the advertising period and phase 7 overlap. The difference between them is the focus on the customer, where the advertising period is focused on the potential future customer, one to start a new business cycle with, phase 7 focuses on the past customer and the cooperation with him or her. While the customer of the advertising period and phase 1 is purely in the position of a potential customer, in phase 7 the past customer is treated not only as a customer but also as a partner.

The last row of the schedule is an approximate time frame. It states a reasonable estimation of how much time a phase is going to take to execute. It is usually stated in the form of a time range. The exception is the advertising period, phase 1 and phase 7. These phases are either ongoing, continuous processes, which are only framed by the foundation of the company, its existence, and the will of past customers to cooperate on NatureApartment's marketing and sales. The total approximate time frame of one cycle, from phase 2, receiving of order, to phase 6, finishing the installation of the product and closing the cycle with payments, is a time range from 2 months and 11 days to 6 months and 20 days. Of course, the actual time of one cycle would depend on the individual project and for that reason could vary.



## **4.6 Marketing plan**

NatureApartment's marketing is based on a plan, which has the goal of increasing the effectivity marketing itself by making it well organized, aimed at fulfilling business the business objective and creating clarity and wholeness of the company to internal and external stakeholders. It is a crucial part of the business plan, from which many decisions and actions can be derived. The marketing plan can be used as a framework during any activity of the company and its staff.

### **A. Market and opportunity analysis**

As the product of NatureApartment, a tiny house, is an alternative to usual housing solutions such as apartments in large buildings or family houses – either built with bricks or wood, NatureApartment aims more at a niche market. As far as demand for housing is concerned, all people need a place to live. People, who live in a property they own are much less expected to move, while people, who rent their housing move much more often – to another rented living place or a purchased housing. The people willing to move from their current housing situation might be interested in an alternative housing solution. Of course, that depends on their personal preferences, availability of preferred housing and the costs they are able and willing to cover.

Personal preference of the type of housing is the first criteria because a potential customer will start their search for new housing according to what they desire and what they think possible. People who might consider living in a tiny house will probably prefer living in a green environment over an environment of suburb and block of flats. People who prefer more quiet places, that have better outdoor spaces such as gardens will usually be more inclined to Tiny house living. As the lifestyle connected to nature and the outdoors is becoming more popular again, people's preference might grow for housing solutions that can offer outside spaces such as decks and gardens. And tiny houses, among other alternative housing, can offer outside spaces as a part of living, which is an advantage over many apartments.

People, who prefer living in city apartments might consider living in a tiny house in a location, where apartments would be unavailable or very expensive, whether they look for renting or buying the apartment. As the population grows, the demand for housing is also growing, creating a need for the construction of new apartments, houses or alternative living solutions.

While a tiny house also offers outside spaces, the inside space is much smaller compared to a traditional house. The main benefit to a larger house is its price. To someone, who has a reason to prefer a stand-alone home rather than an apartment in a larger building, a tiny house can be more price-effective solution than a house. In comparison with an apartment, it offers a different environment and style. If compared to a larger house, its benefit is its price, less or no paperwork and movability. However, the amount of living space in a tiny house is limited, often even less than in an apartment. This can be compensated by outside living space in warm seasons. Although, for some people, less space could be a benefit, as they aim to simplify their life and duties by pursuing a lifestyle of minimalism.

## **B. Marketing strategy**

The marketing strategy of NatureApartment starts with marketing objectives, which aim to help fulfil the business goal. The business goal of NatureApartment at the time of launching the company is to cover its costs and gain profit. The required profit, which the company wishes to reach in the founding period is an amount needed to survive the company launching period and the implementation of the business cycle. Revenues high enough to cover costs and generate this kind of profit are essential for becoming a stable company. The marketing objectives based on the business objective are meant to ensure a smooth function of the business cycle and help to create more future business cycle. There are five stated interdependent objectives, which are listed in figure 12.

## Business objective > Marketing objectives

▶ Cover costs and gain profit	▶ Reach interested potential customers
	▶ Gain enough customers
	▶ Affordable price
	▶ Reliable product
	▶ Customer satisfaction

*Figure 11 - Business and marketing objectives (Source: Own creation)*

The mission statement of NatureApartment shows the reason for the existence of the company as well as the general field, in which it operates. It shows the general public that the company aims to help people live their lives in a better, natural environment by providing a kind of housing. The message stating this is: “Bringing apartments closer to nature.”

In the long term, the company NatureApartment has the goal of becoming the largest provider of tiny houses on the Czech market. This goal is declared in a vision statement: “Becoming the largest provider of tiny houses on the Czech market - a housing alternative to city apartments for people wishing to live in a green, quiet environment with a low financial burden.”

### **C. Marketing mix**

#### **Product**

The company NatureApartment only has one type of product at the early stage of its existence, the tiny house. Although the company only offers one product, there is a wide range of customizations. The product is an alternative housing solution, which has the form of a small, transportable wooden house. It is suited to all-year living, usually providing enough space for a single person or a couple. It can be used for permanent living, weekend

residence or as a cottage. It is also very suitable as commercial accommodation, a guest house or temporary accommodation for employees. It is further described in the chapter 'Business and product description'.

## **Price**

As the biggest advantage of a tiny house over a traditional house is its price, the price must be significantly lower than the price of a house. The main reasons for a lower house are its size, materials, and scale of production – building more units with the same basic design. The final price depends mainly on the customizations required by the customer, the costs of installation of the product on the customer's land and the distance of shipping from the partner's workshop to the land of the customer. The total price is estimated to 827 698 Czech korunas, however, it can range from seven hundred thousand Czech korunas to one million Czech korunas, depending on the individual project.

## **Place**

The place, where a tiny house can be installed by NatureApartment is limited only by the availability of suitable land for the customer and shipping. In the early stage of the existence of the company, NatureApartment will advertise the product on the Czech market, which it is meant for. If the company later decides to expand to other markets, the business model will be applied there in a similar way, cooperation with partner companies on both national and international levels.

As to the place of promotion and sales, it will mostly take place online and be accessible anywhere in the Czech Republic. A personal meeting will be offered to potential customers either at the company's showroom or a place of mutual agreement.

The NatureApartment's showroom will be placed on land that the company will buy, located in nature. It will probably be placed northeast of Prague, in proximity to the towns of Turnov, Sobotka or Semily, where it will be easily accessible from Prague, Hradec Králové, Liberec and Jablonec nad Nisou. Also, the natural beauty of Český ráj and the horizon of the Giant

Mountains and the Jizera Mountains in the background will add to its appeal. More showrooms near other major cities, such as Brno and Olomouc, might be built in the future as the company will develop. Also 'Real-life showrooms', customers' own tiny houses, will hopefully be added in the future as possibilities for potential customers to visit and get first-hand information. As to the location of 'Real-life showrooms', it will depend on customers.

Real estate offices in major cities and towns will be offered to list tiny houses for commission. Agents will be offering tiny houses as an alternative accommodation in various regions, sometimes even along with land.

The distribution will be done by a partner shipping company. Tiny houses, as the product, will be delivered anywhere within shipping possibilities, to the land of the customer. This is assumed to be within the Czech Republic, but shipping to other European countries is possible upon an individual agreement.

## **Promotion**

The company's promotion and advertising will be done by interconnected offline and online campaigns. The offline campaign consists of a showroom and real estate offices, while the online campaign will be based on YouTube reviews and information videos along with social network campaigns. Customer recommendations will be placed on both social networks and the company website. NatureApartment's website will also be promoted and it will offer more information on the product, the tiny house, and the lifestyle connected to it. A major part of the online campaign will also be listings on real estate websites. Pay per click will be used to promote the website on Google search as well as it will be used for various social network posts, YouTube videos and real estate listings. Some components of promotion campaigns are both online and offline, these are Word of Mouth and public relations. Public relations will mostly consist of the placement of articles about tiny houses on blogs and online and offline magazines focused on related topics.

Sales, as another major part of the promotion, will be done by various stakeholders. It will mostly be done by the employees of NatureApartment, but also real estate agents and past customers. Employees and real estate agents will be awarded a commission on sales. The

commission for employees will be in form of a monthly bonus to their salary. Past customers will be offered to cooperate on the tiny house promotions by being offered a commission on sales through WoM. They will also be offered to be listed on the company website as a possible 'Real-life showroom', so potential customers will be able to contact them directly, ask questions and perhaps even mutually agree upon a visit to their home. In this way, past customers will have the chance to gain finances by simply meeting people interested in Tiny house living and inviting them for a visit. They will be able to do that as often as they will see fit and in the event of a sale, they will be awarded a commission.

## **People**

NatureApartment depends on people on both carrying out its activities and purchasing its products. In this point of view, people can be divided into two main groups: first that bears the responsibilities, consisting of employees and partners, and second that purchases the product, thus meeting the supply of the first group with its demand.

The first group can be further divided into two subgroups, one being employees and the second being partners. Employees will be part of the organization processes, marketing, customer service and communication, finance, installation projecting and application. The number of employees for these positions will grow over time, along with the growth of the company itself and the volume of projects in advance. During the early stage of the company, the process can be started by one person, cooperating with various partners. Marketing and advertisement can be created and maintained in cooperation with a marketing agency and the installation process with the services of a plumber, an electrician, and so forth. Also, an external workforce can be hired for manual labour with the help of a recruitment agency to be used for the preparation and installation of the tiny house. Finance is planned to be handled by an external accountant. As the company will grow and there will be more work to be handled, internal employees will be hired for marketing, customer support and communication, organization, finance, manual preparation and installation work. A showroom presenter might also be hired in the future.

Partners will be part of the business cycle handling from the very start of the company. The most important partners for the process are a wood construction firm and a shipping company. These partners will be found and contracted by the company founders and leaders, and the communication will be held at various levels, from owners to employees. Communication with customers will be done mostly by the staff of NatureApartment, to fulfil the aim of keeping the appearance of one organization in the eyes of a customer. Other partners will include human resources, marketing agencies, internet services, legal services, telecommunication providers, etc.

The second group derives from the general public. It is the group, in which NatureApartment looks for its potential customers. This group can be divided into segments, from which some can be targeted. According to the targeted groups, the company positions itself to fit the expected typical customer.

The segmentation of the public from NatureApartment's point of view starts with choosing the right wealth and income group. Even though the greatest advantage of a tiny house in comparison to a traditional house is its price, for the lowest income group, it might be still too expensive.

The lowest income group might rather choose to live in apartments in larger panel buildings. Especially in older, unrenovated buildings, rents are still very low. For people with the lowest incomes or people on national aid, the price of a tiny house can be too high to afford. This group of people is shown in the figure below as the bottom part of the triangle, which represents society according to income and preference.

The wealthiest group in the figure below, represented by the red triangle at the top, has enough financial means to live in a more expensive style of housing that offers more space and comfort. This group is not interested to trade their current comfort to save money. Also, people who already own their housing, which is satisfactory for them will usually not be interested in a tiny house. The exception to this might be a case, in which people from this group would like to purchase a tiny house for other reasons than their own housing. These reasons might include using the tiny house as commercial accommodation, guest house,

long-term rental home, or employee accommodation. In some cases, these reasons might even lead to the purchase of several tiny houses.

The third group is the blue part of the figure below in the middle. This group can afford to live in a tiny house and the lower costs, among other advantages, might interest them. For this group, their preference for housing is an important factor. The section on the left side of figure 13 represents people, who prefer to live in an apartment, and therefore they will usually not be interested in living in a tiny house. The right side of figure 13 represents people who prefer to live in a sole house and this section is further split into subsections. The first subsection consists of people who wish in a traditional house – usual sized house built out of bricks. The bottom square of this subsection represents people, who would like to live in a traditional house, but who cannot afford it. These people choose to live either in an apartment or an alternative house, such as a wooden house, instead.

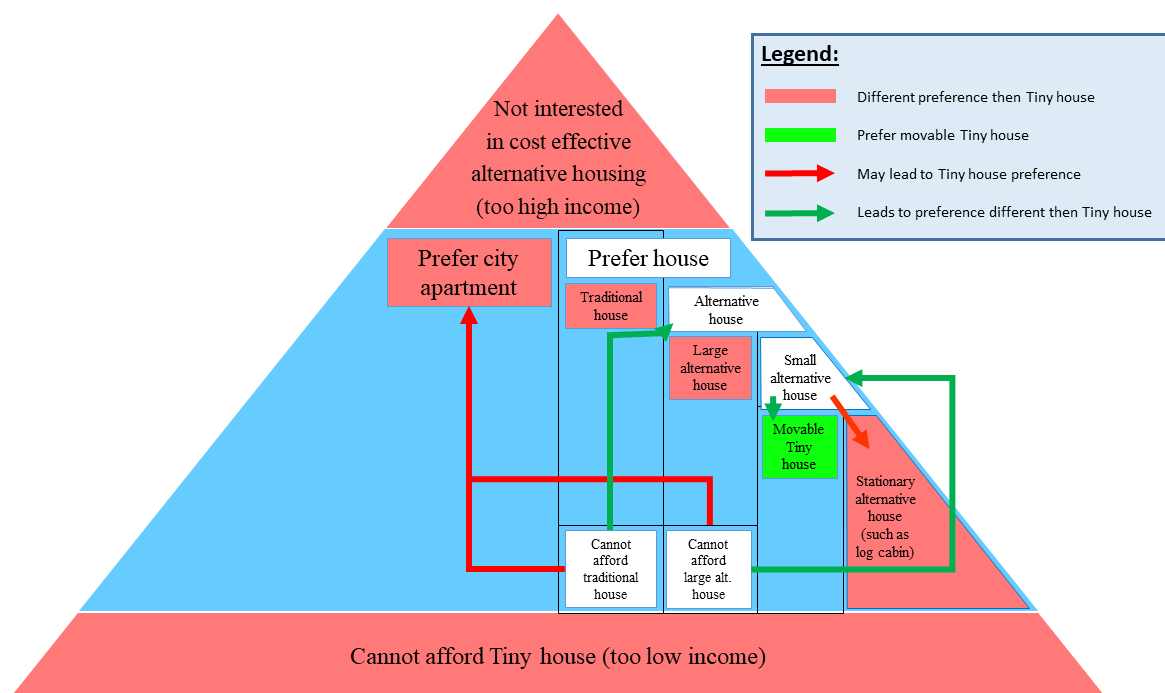


Figure 12 - Segmentation diagram (Source: Own creation)

The next subsection represents people, who prefer to live in an alternative house. Alternative houses, such as wooden houses and cottages, can be divided by size. Some people might not



be able to afford a wooden structure of a larger size, comparable to a traditional house, so they will either decide to live in an apartment or a small wooden house, such as a tiny house.

The segmentation can also be done by family status. Tiny houses will usually be too small for families with children living at home, so they will be most suitable for single persons, young couples or couples with children already living on their own. Sometimes, they might also be fit for single seniors, widowed or divorced. For single people, a tiny house usually provides enough space and also offers an alternative way of housing, near nature in a better environment. At the same time, it does not require as many duties and housework as larger structures. It can also provide a very stylish space to host friends, for example, while having a barbeque.

From the previously mentioned market segments, NatureApartment targets people who prefer a detached house – an alternative structure built out of wood, in the right income group. The main targeted group would be young people, who wish to move out of their parents' home. The focus would be mostly on couples without children and single people. This decision is supported by the marketing campaign depending on the online sphere a lot. Nevertheless, the company would also target couples whose children have already moved out and elderly single people, whether widowed or divorced.

To position itself, the company analyses expected typical customer. The typical customer of NatureApartment s.r.o. is a man in his twenties, living in a couple with a girlfriend/wife in a stable, long-term relationship. He loves to be outside and prefers to live in a natural and quiet environment. He works in a city but wants to spend as much time out of the city as possible. He prefers small gatherings with friends over large events. He might be thinking of changing jobs in the future, and that's why he prefers a type of housing, that can be moved to another place. He does not want to take the financial burden of a family house to have more money and time for hobbies.

### **Processes (business cycle)**

The processes in NatureApartments business cycle are represented by activities carried out between several entities. The processes can be divided into two main categories, internal and

external. Internal processes of NatureApartment are further split into three departments to which they belong, these departments are marketing, production and operations and finance. The marketing processes concern reaching potential customers, communicating with customers, customer support etc. The production and operations processes organize the manufacturing of the product, shipping, preparation of land and installation of the product. The financial processes include all payments and accounting. Many of the internal processes are achieved in cooperation with partners, but the responsibility still lies with NatureApartment. In contrast to that, external processes usually lie in the hands of partners. These processes include physical production, shipping, web-hosting services etc. These processes are the responsibility of partners, from whose they are ordered by NatureApartment. The whole business cycle and its processes are further described in the chapter Business cycle and the subchapter Key activities in the chapter Business model Canvas.

### **Physical Evidence**

The physical evidence of NatureApartment starts with the online campaign. It aims to display appealing pictures and promo videos to potential customers, showing harmonious life in a nice, peaceful environment. It should be desirable, but not deceiving. The company website and posts contain information on the quality and way of life in a tiny house, along with possible customizations that the customer can choose. These customizations include interior and exterior design and layout as well as some optional equipment and technologies such as solar panels or a rainwater tank. To convince potential customers of the quality and feel of the offered housing, a showroom will be set up. Along with the information online and offline, friendly communication of the customer support will add to the overall customer satisfaction. Also, reviews and recommendations from past customers shared either by the company's online campaign or Word of Mouth will add to the credibility of NatureApartment and its product. Once the company establishes itself on the market, the company might expand its business to building some tiny houses as commercial accommodation, which will also provide a chance for potential customers to try the product for a vacation before deciding to purchase their own.

## D. SWOT Analysis

The strengths and weaknesses of the product of NatureApartments are listed in the SWOT Analysis to help in the decision making. The strengths, advantages of tiny houses, can draw potential customers into choosing to purchase and live in a tiny house. As it was already mentioned, the price of tiny houses is one of the biggest advantages in comparison to larger family houses. Also, as it is not attached to land, it enables the customer to move the housing to another location, should the need arise. The weaknesses, disadvantages, could lead potential customers to decide on another solution, from a competitor. The leadership of NatureApartment can use these strengths and weaknesses in decision making, especially in marketing. Opportunities and threats may affect the company from the outside, so it is important to bear them in mind. Opportunities can be used to expand and strengthen the business, while threats should be included in the evaluation of risks and backup plans should be made, whether that would mean obtaining some specific insurance or plans of a reorganization of the company, its product and business.

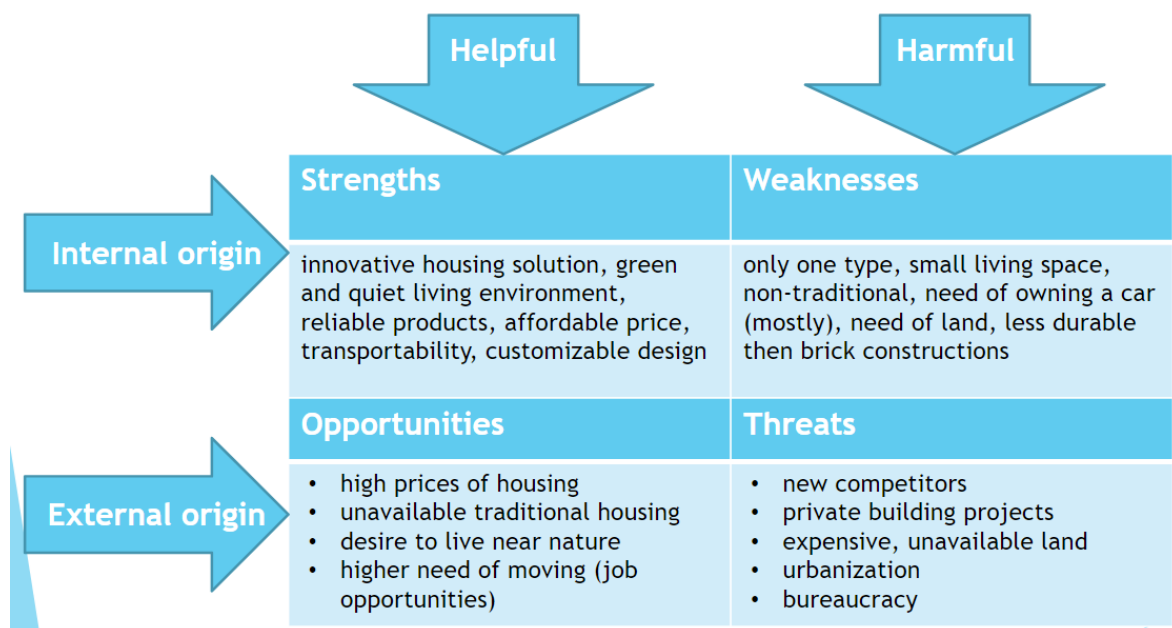


Figure 113 - NatureApartment SWOT Analysis (Source: Own creation)

## 4.7 Operational plan

NatureApartment's operational plan is the part of the business cycle, that concerns production and operations. It is the part, which follows reaching and obtaining customers and which ensures that those customers are provided with the product, which they have ordered. In the business cycle schema, some of the information and physical activity flows belong to operations, and they are always depicted in blue colour. The goal of the operational activities of the business cycle is to manufacture and deliver the product to the customer. Operational activities have corresponding financial flows. Some operational activities are directly done by partner companies, such as the construction of the tiny house by a wood building firm. These activities are not handled by NatureApartment and thus they are not directly shown in the business cycle schema. Partner companies are responsible for these activities. The activities handled entirely by partners are part of the operational plan and they are shown in the two rows in the business cycle schedule that belong to partners – a wood construction company and a shipping company.

All the key activities that belong to the operational plan are listed in the NatureApartment's business cycle schedule, in the Production and Operations row and they are sorted in the sequence as they are carried out.

Operational activities in the business cycle start upon receiving demand from a customer. The first of the information-based activities is sending an order for the construction of a tiny house to a partner firm – a wood construction company. The partner company then starts manufacturing. Once the tiny house is finished by the wood construction company, an invoice is received by NatureApartment that the product is ready for delivery. NatureApartment requests shipping from a contracted partner company. The partner company delivers the tiny house to the customer's land, which has been prepared for the installation of the tiny house.

NatureApartment's first physical activity in the cycle (excluding manufacturing done by partner) is the preparation of the customer's land. NatureApartment carries out preparation of the location, where the tiny house will be installed according to what is needed. It usually includes manual labour done by internal or external workers. Usually, a cement stands or

even a cement platform is built to serve as a base for the tiny house. After the tiny house is delivered to the location, it is placed onto the base by a crane and installed. The installation process includes energies and waste disposal management and is done by NatureApartment, in cooperation with external partners such as electricians and plumbers. The cycle ends with the tiny house being installed.

In the case of growth on the Czech market, NatureApartment can extend its business by contracting more partner firms. For example, NatureApartment can divide extensive demand between more wood construction companies to create more supply. In such a case, NatureApartment will be able to decrease average costs by employing more internal workers to carry out jobs previously done by the external workforce or partners. In this way, the business is very easily scalable, only with little need of extending the company's own premises.

If the company decides to expand to other markets, such as to other countries of the European Union, marketing plans will be created for these markets separately, using the same brand. Depending on the demand of these new markets, the manufacturing and shipping can either be done by the same partners, who cooperate on the Czech market, or the production and shipping can be arranged abroad, following the same business model and the business cycle.

## **4.8 Financial plan**

The financial plan of NatureApartment stands on the principle of using the finances from the customer directly to make payments to partners, mainly for manufacturing and shipping. Like the operational plan, the financial plan is also part of the business cycle. Financial flows are depicted by green dotted arrows in the business cycle schema. However, there are also costs, which are associated with the marketing and general functioning of NatureApartment, which are not part of the business cycle.

Financial activities, which are shown in the business cycle are payments received or paid by NatureApartment. Deposits and final payments for goods and services are received from customers and paid to partners.

### **A. Costs assessment**

Other costs are not part of the business cycle, and thus these are not shown in the business cycle schema or schedule. These costs consist of the expenses for founding and establishing the company, the creation of tiny house designs and the development of the product. Also, the establishment of NatureApartment's office and showroom is another expense. The creation, launch and maintenance of the marketing campaign will be an early-on cost to the company.

Once the company will be established, there will be periodical and one-time costs of marketing, equipment and facility rent, vehicles, wages, sale commissions to realty offices, employees, and past customers. There will also be costs for an external workforce, material and equipment needed for the preparation of land for the tiny house placement as well as for its installation. Rent of machinery will also be sometimes required.

As some employees will travel to meetings with customers and for the preparation and installation activities, costs as fuel, diets and accommodation will apply.

### **Minimization of costs of financial capital**

NatureApartment will decrease average costs by the organization of payments in a way, which will not require bank loans and other external financing possibilities for the manufacturing and shipping of tiny houses. This will decrease the total costs of financial capital (e.g., interest costs), as the payments to partner companies will be done after receiving payments from customers. Bank loans will be used in the case of delayed payment from a customer, and in such cases, customers will be charged these fees.

However, external financial capital will still be needed to cover other costs of the company, especially in the founding period.

### **NatureApartment's costs budgets**

The financial amounts used in budgets are estimates, realistic according to current costs and prices on the Czech market. The items and financial amounts presented in the budgets and financial summaries were consulted with and approved by an authorized builder to ensure their accuracy, as stated in appendixes. However, they are not always a particular amount, which would later be used in accounting, as such amount is often not possible to be known beforehand. The purpose of the estimated prices, costs and revenues is to create a financial plan of the project as well as some financial assessments. Financial planning might differ slightly from the future reality. These budgets will also be used as a foundation for obtaining funding – a bank loan.

The budget of NatureApartment consists of several tables, divided into costs and revenues. The costs are divided into two categories, costs, which are assigned to a business cycle (direct) and costs, which are not assigned to business cycles (indirect). Also, costs, which are not assigned to a business cycle for the first year are in a separate table, as there are many items associated with the launch of the company. The revenue table is connected to a business cycle.

1st Year - indirect costs	Cost per unit (CZK)	Number of units	Total cost (CZK)
Costs			
The purchase of Tiny house plans (USD 225)	4 863,00	1	4 863,00
The foundation of the company (s.r.o.)	5 960,00	1	5 960,00
Development of the Tiny house (plans)	75 000,00	1	75 000,00
Construction of 1st Tiny house - office	548 320,90	1	548 320,90
Construction of 2nd Tiny house - showroom	548 320,90	1	548 320,90
Purchase of land (390m <sup>2</sup> )	1 333,00	390	519 870,00
Shipping of 2 Tiny houses	12 874,40	2	25 748,80
Associated costs of preparation and instalation processes	132 777,58	2	265 555,15
Garden and outdoor spaces	119 323,00	1	119 323,00
Creation of YouTube channel content (videos)	10 000,00	2	20 000,00
Creation of photogallery of the Tiny House	2 250,00	3	6 750,00
Equipment & machinery purchase	164 818,00	1	164 818,00
Maintanance and spare parts of equipment and machinery	40 000,00	1	40 000,00
Printer purchase	2 299,00	1	2 299,00
Electronics	45 000,00	1	45 000,00
Office supplies	9 434,00	1	9 434,00
Use of a personal car (55 000 km)	4,20	55000	231 000,00
Salary (1 person - yearly)	44 000,00	12	528 000,00
Phone provider fees (yearly)	1 140,00	12	13 680,00
Utilities (yearly)	40 000,00	1	40 000,00
Internet fees (yearly)	525,00	12	6 300,00
Webhosting and domain (yearly)	655,45	1	655,45
Total indirect costs per year			3 220 898,20

Table 4 - Indirect costs – first year (Source: Own creation)

The first year's indirect costs include the formation expenses, and therefore are depicted in a separate table (shown above) from the indirect costs of the following years. The formation expenses are only applicable in the first year. The first year's indirect costs table also includes costs, which will apply in the following years as well. These costs are periodical and not directly assigned to a particular business cycle. The total costs in the first year are estimated to an amount of 3 220 898.20 Czech korunas.

Following years - indirect costs	Cost per unit (CZK)	Number of units	Total cost (CZK)
Costs			
Creation of YouTube channel content (video reviews, promos)	7 500,00	3	22 500,00
Creation of photogallery of the Tiny House	2 250,00	3	6 750,00
Office supplies	5 000,00	4	20 000,00
Use of a personal car (55 000 km)	4,20	55000	231 000,00
Salary (1 person - yearly)	44 000,00	12	528 000,00
Phone provider fees (yearly)	1 140,00	12	13 680,00
Utilities (yearly)	40 000,00	1	40 000,00
Internet fees (yearly)	637,50	12	7 650,00
Webhosting and domain (yearly)	655,45	1	655,45
Office, showroom and garden maintainance and cleaning	142 400,00	1	142 400,00
Maintanance and spare parts of equipment and machinery	40 000,00	1	40 000,00
Total indirect costs per year			1 052 635,45

Table 5 - Indirect costs – next years (Source: Own creation)



The indirect costs applicable for the following years are shown in the table above. These costs are estimated to a total of 1 052 635.45 Czech korunas every year. These costs are divided between the estimated number of sold units, ordered and sold tiny houses, and so covered by the revenue from the price of these tiny houses.

Direct costs, in the table below, are connected to the business cycle – these do not occur without manufacturing a product. They include the construction costs, shipping costs and the preparation of land for a tiny house to be installed and the cost of the installation process. They are paid during or after every business cycle. In total, these costs are estimated to 693 972.87 Czech korunas, but they can of course differ according to an individual project. The biggest differences are accounted to the customizations, special requirements, land suitability and shipping distance.

Direct costs	Cost per unit	Number of	Total cost (CZK)
Costs per unit	(CZK)	units	
Deposit to wood construction company	109 664,18	1	109 664,18
Payment to wood construction company	438 656,72	1	438 656,72
Payment to shipping company	12 874,40	1	12 874,40
Preparation and installation on land	132 777,58	1	132 777,58
Total direct costs per unit			693 972,87

*Table 6 - Direct costs (Source: Own creation)*

## **B. Revenue assessment**

The source of income for NatureApartment is payments from customers for products. These payments consist of deposits and final payments for delivered and installed tiny houses. Both the deposit, paid by the customer with the order, and the final payment will be fixed. The goal of the deposit is to cover costs caused by an eventual cancellation of the order by the customer, and due to that reason, it is non-refundable. The price of the delivery will be included in the fixed payment and it will be determined by the distance of shipping from the partner's premises to the customer's land. Also, fees for changes and demands required by the customer after the initial price had been agreed upon will be charged to the customer.

## NatureApartments revenues table

The revenues table represents the income of NatureApartment during and after one business cycle. It is composed of deposit payment and final payment from the customer. As it is also an estimate, it may differ according to the same criteria as the difference of direct costs. The total revenues per one business cycle are estimated to 827 697.88 Czech korunas, as shown in the table below.

Revenues (per business cycle)	Revenue per unit (CZK)	Number of units	Total revenues (CZK)
Deposit from customer	124 154,68	1	124 154,68
Payment from customer	703 543,20	1	703 543,20
Total revenues per unit			827 697,88

*Table 7 - Revenues of NatureApartment (Source: Own creation)*

## Product price determination

The price of the product – the tiny house – will be composed of three parts, direct costs of the particular product, a share of indirect costs (divided between the estimated number of sold products in the second year) and margin. The calculation of price is computed from the second year's total costs – not including the loss from the first year. The second year's total costs are a sum of “Following year – indirect costs” and total direct costs per unit multiplied by the estimated number of sold units in the second year. A margin of 10% is added to receive the product price. The estimated price of a product, including services, preparation and installation processes is rounded up to 827 698 Czech korunas.

## C. Initial investment return and profit or loss predictions

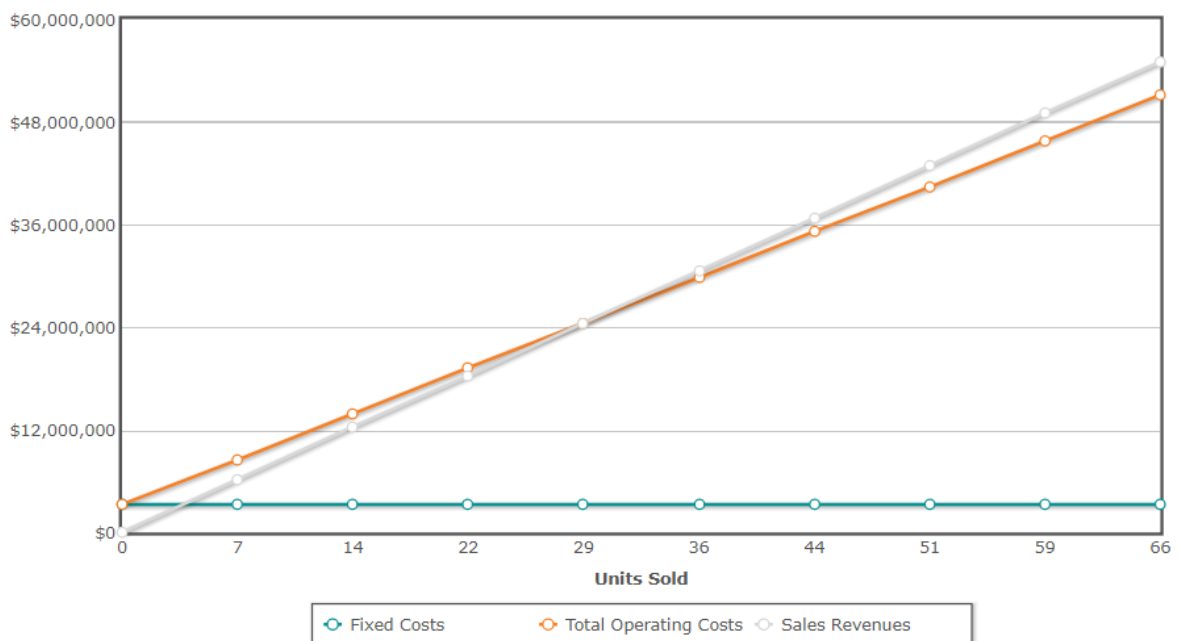
The initial investment from the first year – the foundation period of the company – has to be covered by later profit. As the foundation and establishment of the company will take ten months, the number of sales for the first year is estimated to be zero. In this way, all costs of the first year, as was stated above to be 3 220 898.20 Czech korunas, need to be covered by profits from the following years. Direct costs (costs per unit) and the commission are

subtracted from the price of the product to calculate the profit per unit. In this way, the number of sold tiny houses needed to cover the initial investment can be calculated. It represents the number of business cycles needed to cover the first year's costs. The following table indicates that upon the 30<sup>th</sup> business cycle the first year's investment will be covered completely.

Foundation investment return	
Revenue per unit	827 697,88 CZK
Cost per unit (direct costs)	693 972,87 CZK
Profit per unit (direct costs)	108 894,07 CZK
Commission per unit	24 830,94 CZK
First year's costs	3 220 898,20 CZK
Number of sold units to return extra founding costs	29,57826917

*Table 8 - Initial investment return (Source: Own creation)*

The calculation of the return above can also be confirmed by break-even analysis, which is very similar in its calculation. The break-even analysis also states that the initial investment return should occur when 30 units are sold, which is displayed in the graph below.



*Figure 124 - Breakeven analysis graph  
(Source: Own creation with the use of CalcXML)*

The simplicity is the benefit of this method of calculating the return of the initial investment. The drawback of this method is, that it does not include the indirect costs of the following years up to the time when thirty business cycles occur. To address this weakness, the following tables represent financial summaries, including estimations of sold products each year as well as the expected profit or loss of that year.

First year summary	
Number of sold units	0
Total costs - first year	3 220 898,20 CZK
Total costs (following years + direct costs)	1 052 635,45 CZK
Revenue per unit	827 697,88 CZK
Revenue per all production	0,00 CZK
Profit/loss	-3 220 898,20 CZK

*Table 9 - First year's financial summary (Source: Own creation)*

As it was already mentioned, the first year is not expected to generate any revenues. The foundation - implementation process will take ten months to establish the company. In the last two months, orders might already be received, but these projects will not be finished in the first year. As the decision process of the customer might take some time and include communication with NatureApartment. It is estimated that first orders and deposits will be received in the first quarter of the second year. Due to the null revenues in the first year, the balance of the first year is equal to the total costs, in the amount of 3 220 898.20 Czech korunas.

In the second year, the estimated number of sold tiny houses sold is 18. The total revenues from the sale will cover the direct costs of the production and the indirect costs of the second year. The profit made from the sales will cover part of the last year's investment (loss), leaving the overall balance to a loss of 1 866 483.48 Czech korunas, as can be seen in the table below.

Second year summary	
Number of sold units	18
Loss from last year(s)	3 220 898,20 CZK
Total costs (following years + direct costs)	13 544 147,19 CZK
Revenue per unit	827 697,88 CZK
Revenue per all production	14 898 561,91 CZK
Profit/loss	-1 866 483,48 CZK

*Table 10 - Second year's financial summary (Source: Own creation)*

The number of sold products in the third year is estimated to be higher than the previous year, as public awareness will grow. It is expected to increase from eighteen to twenty-four units, as shown in the table below. The price of the tiny house will remain the same. That is estimated to produce a profit of more than 2 million Czech korunas. This profit will in the third year of existence cover the rest of the initial investment. In the third year, the profit will be 290 281.30 Czech korunas.

Third year summary	
Number of sold units	24
Loss from last year(s)	1 866 483,48 CZK
Total costs (following years + direct costs)	17 707 984,44 CZK
Revenue per unit	827 697,88 CZK
Revenue per all production	19 864 749,21 CZK
Profit/loss	290 281,30 CZK

*Table 11 - Third year's financial summary (Source: Own creation)*

In the fourth year, the number of sold products is expected to grow again, as the campaigns and PR will support public awareness. Review videos and word of mouth from past customers should also increase sales. The fourth-year should be the first, in which the profit will not be needed to cover the initial investment. The estimation is that the 30 sold units will generate 2 959 114.83 Czech korunas of profit.

Fourth year summary	
Number of sold units	30
Loss from last year(s)	0,00 CZK
Total costs (following years + direct costs)	21 871 821,68 CZK
Revenue per unit	827 697,88 CZK
Revenue per all production	24 830 936,51 CZK
Profit/loss	2 959 114,83 CZK

*Table 12 - Fourth year's financial summary (Source: Own creation)*

## **D. Funding**

As NatureApartment s.r.o. is meant to be a private company, the first two phases of the implementation process, phase 0 and phase 1, will be funded by personal savings and the time of the founder. As phase 0 consists mostly of planning and preparation of documentation, it will be done by the founder, and in such a way it will require very little financial capital. The highest item financially at this phase should be the purchase of the tiny house plans for 225 American dollars, or, depending on the exchange rate, around 4 863 Czech korunas. In phase 1, the costs of founding the company (of the type s.r.o.) will amount to 5 960 Czech korunas.

The next stages will be financed by a combination of personal investment and a bank loan. The bank loan will represent the major part of the total investment, and it will be obtained based on a clear and throughout business plan – including a financial plan, prepared marketing campaign and well-designed product. The borrowed amount can be divided into two loans, first loan would apply during the implementation process, as shown in figure 17A, while the second loan would be agreed to take place at the beginning of the second year of the company's existence.

## **4.9 Evaluation of risks**

The evaluation of risks in NatureApartment's business plan consists of a list of possible risks, which could harm the company and its business. Some of these events could also cause a sizable loss. The evaluation of risks also includes preventive measures or assessment of acceptance of certain risks.

The first of these risks is the extensive growth of competition. If the competition attracts and satisfies all or most of the demand, leaving too little for NatureApartment, the number of orders from customers might be too small to be able to generate profit. It is an inevitable risk, that must be accepted by the company, however, measures to attract enough demand are part of NatureApartment's marketing. Product differentiation, complete service, stylish products and reasonable prices should attract enough customers. In the case of an appearance of new, strong competition with an identical or similar product, changes in marketing as a reaction might be necessary. If competition misuses the names, which NatureApartment uses, a lawsuit will be possible based on trademarks. NatureApartment will register its company name as well as the name of the product.

As NatureApartment will produce unified houses, with only some extent of customization of the interior and exterior, people's requirements to build a house according to their own project, with different dimensions, shapes and requirements is also a thread. As NatureApartment will not offer to build custom design houses, this demand will fall onto the competition. However, custom projects will be more expensive, so NatureApartment will be able to offer lower prices and quite a wide range of customization of the tiny house product. In case of demand for more living space, it will be possible to offer customers to place two tiny houses side by side and join them together.

When tiny houses are compared to apartments, the purchase of an apartment does not require the purchase of land, as it is part of the purchase in a form of a unit. Potential customers of NatureApartment will need to buy a suitable piece of land to place the tiny house. This should be land intended for construction or at least of the type of garden. Such land, depending on the location, might be expensive or altogether unavailable. Also, energies, water and waste disposal will need to be brought to that location, in case it is not yet available

there. Although, some options on the tiny house can eliminate some of these needs, such as solar panels, a compostable toilet or a purifier, and large water tanks. These needs are identical to those when building a family house. NatureApartment can assist customers while looking for and buying land and act as a consultant to what systems and energies to install, as the most efficient level of self-sufficiency depends mostly on the exact location.

Urbanization might be considered an opportunity as well as a risk. On one hand, the availability of jobs and services leads people to move to cities, where they live in apartment buildings, rather than in houses and possibly, tiny houses. On the other hand, while there is none or very little land available inside cities, many people choose to live in proximity to cities, commuting to work. These suburban communities usually live in houses, where the land is very expensive. As the need for space for a tiny house is lower than what family house needs, it might be more economical for people to live in tiny houses rather than in traditional family houses.

As some of the tiny houses might be built as self-sufficient, at least to some extent, legislation must be met on its systems maintaining energies, water, and waste disposal. Also, legal requirements might change on housing. If these standards change and become more strict, it might be a thread or complication to build tiny houses. In such a case, NatureApartment will redesign its products and services to fit those needs.

In the case of cancellation of the order by the customer, a deposit payment is required along with the order, and it is non-refundable. The amount of the deposit covers the costs which occur, especially to cover marketing costs of NatureApartment and labour and warehousing costs of the partner. After an order is cancelled, the work in progress is stored until it can be used for another customer. If need be, it can be finished with a sale on its price, with the difference being covered by the deposit of the original customer.

In the case of a delay caused by partner companies, there will be a contractual fine in the agreement, which should cover costs caused by this delay.

Another risk is the possibility of bankruptcy on the side of partner firms. It might cause delays and losses for NatureApartment. The biggest possible loss is expected to occur in the



case of bankruptcy of the construction company and the amount of the loss would consist of the amount of the deposit for work in progress and losses caused by delay.

Equipment and property theft, fire in the company's office or showroom area will be covered by insurance. Road accidents while shipping and the damage of cargo will be insured by the delivery company.

#### **4.10 Implementation of the start-up**

In the launching period, some processes are necessary for NatureApartment for the company to start its operation and business cycle with first customers, as that is the part that will generate revenue. An Ishikawa diagram and a schedule will be included below to depict the processes needed to launch the company.

The pre-phase (phase 0) of the launching process consists of planning. It is the creation of a business plan, including marketing and finance. It also contains branding and product designing. It may take approximately 3 months. The following phase – phase 1 is the official start of the existence of the company. The first step of this process is the registration of the company with the national business register by the notary. Another step of this phase is the negotiations with the bank to acquire a loan for funding the launch of the start-up. The approximate time frame for phase 1 is two weeks. As the business model is based on outsourcing manufacturing and shipping to partner firms, the next phase is focused on finding partners to sign contracts with and establish cooperation. The types of partner firms NatureApartment needs to find are a construction company, which builds wooden houses, a shipping company, able to transport cargo of the size of a tiny house and a recruitment company. Part of the phase is also looking for companies such as a marketing agency, web service provider company and realty offices. The time duration for the second phase is two months. In the third phase, NatureApartment will develop the tiny house design according to purchased plans, in cooperation with the partner construction company. Also, in this phase, the marketing campaign needs to be created according to the marketing plan. Payment has to be sent to the partner company for the development of the tiny house, along with the price for manufacturing two tiny houses – one as a showroom and one as a NatureApartment's office. The third phase is estimated to three months. The last phase, phase 4 consists of finding external workers for the preparation and installation of tiny houses during business cycles, order shipping for two own tiny houses and install them. The marketing part of phase 4 launches the campaign and sets up communication interfaces, such as business phones and emails. Payments for marketing costs and shipping of two tiny houses also take place. The last phase is six weeks. The whole launch of the start-up should take approximately 10 months before NatureApartment is ready to start its business cycles.

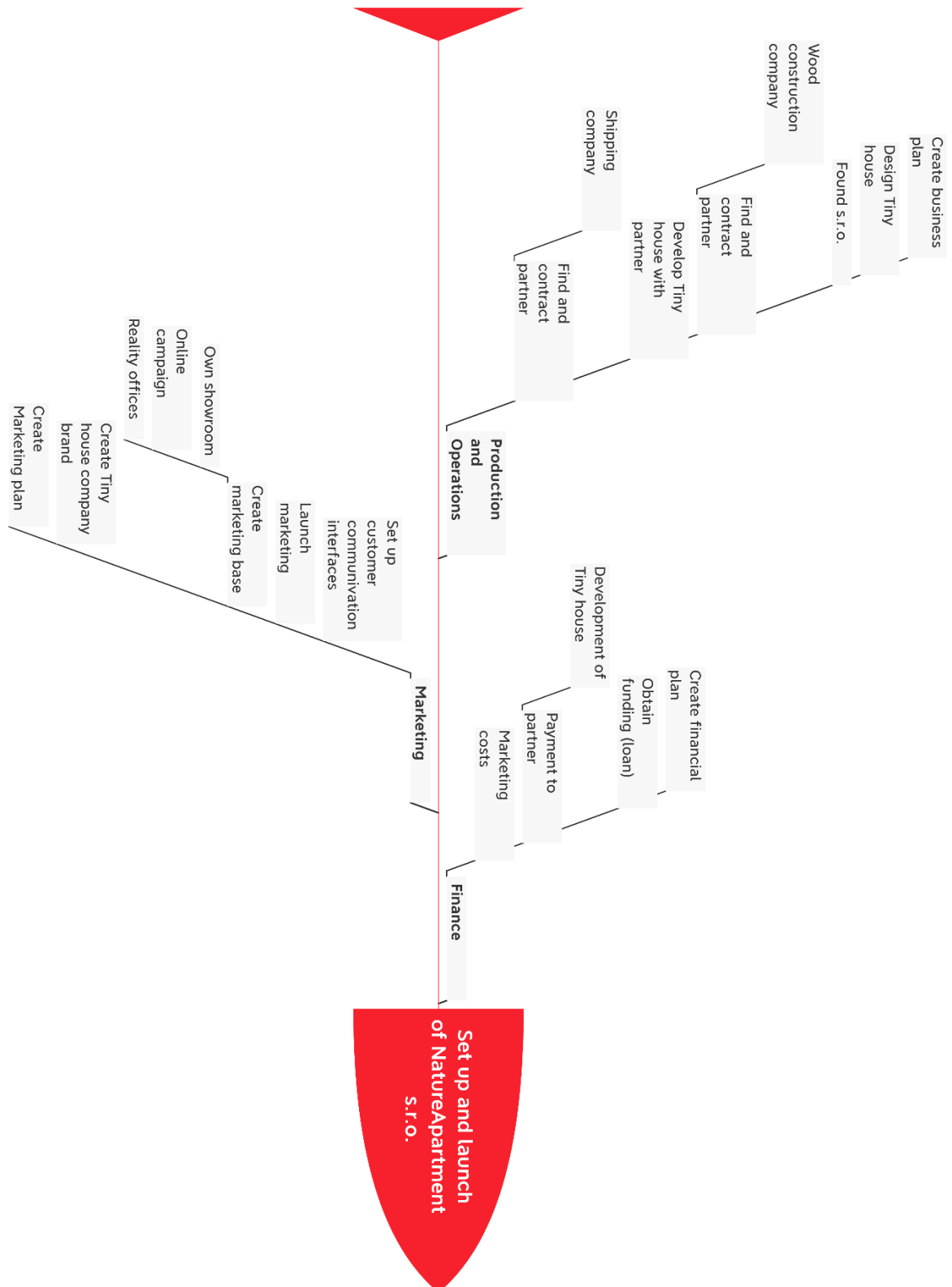


Figure 15 - Ishikawa diagram of NatureApartment implementation (Source: Own creation)

NatureApartment project implementation schedule			
	Phase 0	Phase 1	Phase 2
Production & Operations	Create business plan	Found s.r.o.	Find partners (building/manufacturing, shipping, workforce recruitment, etc.)
	Tiny house design		
Marketing	Branding		
	Create marketing plan		
Finance	Create financial plan	Obtain funding (loan)	
Time frame (9 months)	3 months	2 weeks	2 months

Table 13A - Schedule of NatureApartment implementation (Source: Own creation)


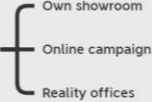
		Phase 3	Phase 4	
		Tiny house development with manufacturing partner	Find external workers with partner (recruitment agency)	
Create marketing base	Own showroom		Launch marketing	
	Online campaign		Communication interfaces	
	Reality offices			
Payment to partner (development, showroom & office)			Marketing costs	
3 months			2 weeks	

Table 13B - Schedule of NatureApartment implementation (Source: Own creation)

#### **4.11 Future expansion opportunities**

In the future, the company NatureApartment s.r.o. might make some changes in the structure, processes, and marketing. Those changes might be based on the size of the company and the volume of sales as well as on public awareness of the company and its products.

With increasing volume of sales, the company might produce some tiny houses before an actual order from a customer to be sold right away, thus offering the customer faster acquisition of a house at a higher price, with the only customization to be done after receiving the order. The price of such a house would be slightly higher due to additional costs, such as warehousing, interest costs of a loan that has been used to finance the production, the risk of not finding a buyer etc.

There might be other services added to the product range, such as realty services concerning the land to be used for tiny houses, creating, and designing and supplying clever, space-effective interiors and fittings, the assistance concerning national administrative requirements and waste disposals. More types and sizes of tiny houses might also be added, larger for more comfort or higher number of residents and smaller for single residents. Also, additive rooms – structures that could be added to an existing tiny house – accessed through the inner door to create one or two rooms. These rooms would be insulated and might be used for all purposes. The most expected purposes of adding rooms are either to have an office to work in or extra bedrooms with more privacy.

Another future opportunity is offering special tiny house building kits as a cheaper alternative to acquiring a tiny house. Such kits would include all needed materials as well as step-by-step video building instructions. Similar building kits can be bought in the United States of America and Canada on Amazon, so inspired simple construction techniques might be incorporated into the original construction of the tiny house. The kit would be as simple to build as possible, using only usual tools such as electric or cordless screwdrivers.

Another opportunity would be building several tiny houses near big cities to be used as long-term rentals. These rentable tiny houses would serve as a direct alternative to renting an apartment in a block of flats, and in its function would cover market segments that prefer renting their housing over buying or building. This segment would probably be mostly

comprised of young adults, either couples or single living people because these people prefer to rent a property. The usual reason for renting is that these people have not settled down yet in a stable relationship or job, their plans for a living are too short-term for such obligation. Also, people, who are interested in moving into a tiny house, but haven't decided to buy one yet, could try living in a rented tiny house first with an option of buying that tiny house at any point in time.

As for financial terms, the development of the company could lead NatureApartment s.r.o. to offer cheaper leasing or mortgage sales of tiny houses, in partnership with a financial institution. The mortgage should cover the costs of the financial means and the profit of the partner company, while its benefit for NatureApartment s.r.o. would be in the potential increase of sales.

## Conclusion

The goal of the diploma thesis was to create a business plan for an introduction of a new project on the Czech market, which will consist of the foundation of a company organizing manufacturing, installation and sales of small transportable wooden houses designed for permanent all-year living. The company NatureApartment's product, a tiny house, is a transportable wooden house of the size of a small apartment. The purchase of the tiny house does not include only the physical product, but also services like preparation of land, placement and installation of the tiny house, connection to utilities, and assistance with the purchase of suited land and obtaining necessary permits. In connection with the goal, the following research question was posed: How many years and business cycles will take the return on investment according to the financial estimates?

The structure of the company NatureApartment is based on a system of partnerships. The manufacturing process is delegated to a construction company, while shipping is also entrusted to a partner company. NatureApartment itself would provide services connected to the placement of tiny houses, and their installation to utilities, as well as other services such as assistance in matters like buying land or acquiring permits. Some of these responsibilities would be done with the help of temporarily hired external labour. A major part of NatureApartment's own work would be the marketing and communication with the customer. The benefits of the partnership-based structure include good scalability in case of growth and lower necessity of own premises and physical equipment. The internal structure of the company is based on dividing the processes into three groups, potentially departments. These groups are marketing, production and operations and finance.

As an alternative housing solution to traditional houses and apartments, NatureApartment's target market is considered a niche market. The company targets people with medium to medium – low income, who are price-sensitive and at the same time, prefer to live in nature and villages rather than in city apartments. However, to people who like spending time outside, it might offer a great use of the outdoor space, especially during warm seasons. The typical customer is expected to be a young man in his twenties, who would like to live outside of the city without carrying the financial burden of a family house.

The marketing campaign of the company is based on both offline and online building blocks. The offline parts depend on the company's showroom, realty offices and personal meetings. The online campaign starts with a YouTube channel, featuring promo videos as well as reviews from past customers, followed by own website of the company for more information. Pay-per-click in google search engine and social networks will be used to help reach potential customers and raise public awareness. The most important strengths of tiny houses are potential green and quiet environments, low price, and transportability. The most significant weaknesses are small indoor living space and the need of owning or renting land. Opportunities include high prices of renting or purchasing housing and potentially growing desire of young people to live near nature. Growing prices of land, its unavailability and strict bureaucracy concerning living standards and building permits are supposed to be the highest threads.

Based on the financial estimation, which was approved by an authorized builder, the return of the initial investment should be finished in the third year of NatureApartment's existence, as estimated in the financial summaries for the first four years. If the return of the foundation investment is calculated using the break-even analysis, the initial investment should be returned when 30 tiny houses are sold, although this method is less precise due to its omission of indirect costs of the second and third year of the company's existence. Nevertheless, both mentioned methods confirm, that the initial investment should be returned in the third year, upon having sold approximately 30 units. According to the estimations, in the third year, the cumulative total profit should reach 290 281 Czech korunas and in the fourth year, the cumulative profit should be 2 959 115 Czech korunas, both rounded to units. The general price of one tiny house including essential services such as the preparation and installation service has been estimated to 827 698 Czech korunas, which, with the purchase of land, from the marketing point of view enables potential customers to acquire their own housing for less than two million Czech korunas, in some cases. However, prices of individual projects will differ according to factors including customization, equipment, the distance of shipping and required preparation and installation processes. The cost of land purchase lies with the customer, with NatureApartment acting only as advisory, and therefore it is excluded from the financial calculations.



The foundation process of NatureApartment is divided into five chronological company and business implementation phases, starting with phase 0, which consists mostly of planning and happens before the company is officially registered with the national authorities. Other four phases follow, in which the tasks and activities take place, such as finding partner firms, developing the product, and creating the marketing campaign. The approximate time frame from phase one to phase four is estimated to six months. The tasks and activities in these phases are divided into three groups, same as in the company structure: marketing, production and operation and finance. The first business cycle can start after finishing these four implementation stages.

Once the company NatureApartment is established and its business activities stable, the leadership might consider some expansion opportunities. As it was already mentioned above, the company should be able to scale up its volume of production easily by acquiring more business partners, especially as suppliers of manufacturing. This method of growth can be used both in increasing supply on the domestic market as well as in the case of expansion to other European markets. Other opportunities concern an expansion by adding more fields of business, such as building tiny houses for long-term renting or designing other types of wooden houses and structures. Designing and producing add-on annexes is an option of expansion, where the target market is mostly past customers.

Although living in a tiny house is not the only option how to live in a green and quiet environment, it is in the author's opinion one of the ways how to achieve it with very low costs. It has its advantages and disadvantages. The advantages include price and transportability, as well as the fact, that it does not require a building permit. The small size and width can be counted among disadvantages. The next step in the continuation of the project and the research connected to it could be listing the tiny house product to realty websites to gain more precise information on-demand or testing of the project captured in the business plan in practice.

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## Appendix A – Expert assessment

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### Expert assessment of the quality of financial estimates in the financial plan and the feasibility of construction processes

As an authorized builder, I hereby declare, that I consider the financial estimates used in the financial plan of the Diploma thesis “Business plan for an introduction of a new project on the Czech market“ to be realistic and correspond to actual market prices in the Czech Republic to my best knowledge. These financial estimates, as well as construction and manufacturing processes, had been consulted with me by the author of the thesis.

I also declare that the business cycle schema and the partnership system used in this thesis corresponds to the common practice of the construction industry. The construction processes and methods are feasible and appropriate up to the extent, to which they are described.

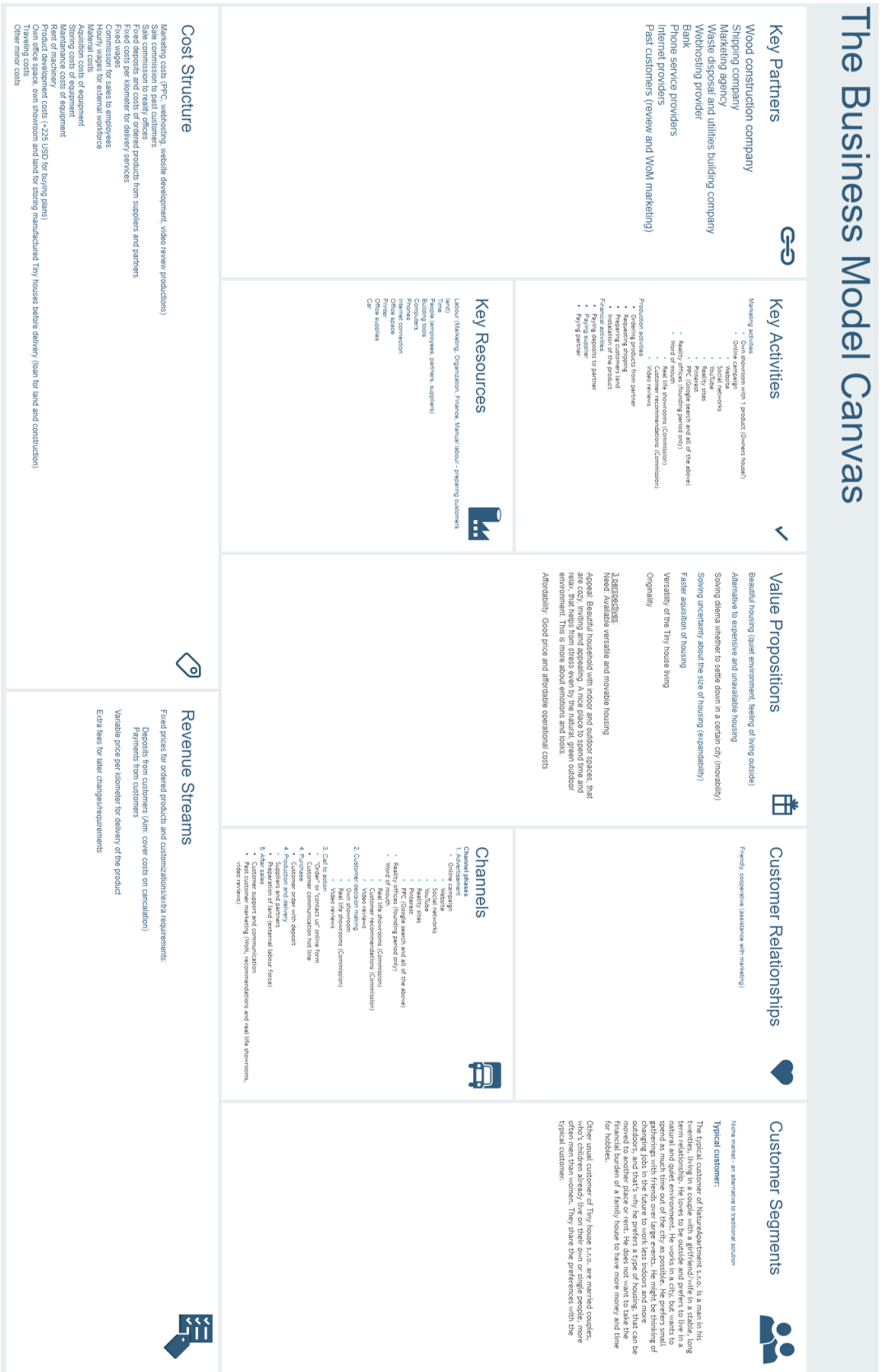
Karel Růžička, Autorizovaný stavitel pozemních staveb



Date: 9.3.2021

Signature: \_\_\_\_\_

## Appendix B – NatureApartment’s Business model Canvas





## Key Partners



Wood construction company  
Shipping company  
Marketing agency  
Waste disposal and utilities building company  
Webhosting provider  
Bank  
Phone service providers  
Internet providers  
Past customers (review and WoM marketing)

## Key Activities



### Marketing activities

- Own showroom with 1 product (Owners house?)
- Online campaign
  - Website
  - Social networks
  - YouTube
  - Reality sites
  - Pinterest
  - PPC (Google search and all of the above)
- Reality offices (founding period only)
- Word of mouth
  - Real life showrooms (Commission)
  - Customer recommendations (Commission)
  - Video reviews

### Production activities

- Ordering products from partner
- Requesting shipping
- Preparing customers land
- Instalation of the product

### Financial activities

- Paying deposits to partner
- Paying supplier
- Paying partner

## Value Propositions



Beautiful housing (quiet environment, feeling of living outside)

Alternative to expensive and unavailable housing

Solving dilemma whether to settle down in a certain city (movability)

Solving uncertainty about the size of housing (expandability)

Faster acquisition of housing

Versatility of the Tiny house living

Originality

3 perspectives:

Need: Available versatile and movable housing

Appeal: Beautiful household with indoor and outdoor spaces, that are cozy, inviting and appealing. A nice place to spend time and relax, that helps from stress even by the natural, green outdoor environment. This is more about emotions and looks.

Affordability: Good price and affordable operational costs

---

## Key Resources



Labour (Marketing, Organization, Finance, Manual labour - preparing customers land)

Time

People (employees, partners, suppliers)

Building tools

Computers

Phones

Internet connection

Office space

Printer

Office supplies

Car

## Customer Relationships



Friendly, cooperative (assistance with marketing)

# Customer Segments



Niche market - an alternative to traditional solution

## Typical customer:

The typical customer of NatureApartment s.r.o. is a man in his twenties, living in a couple with a girlfriend/wife in a stable, long term relationship. He loves to be outside and prefers to live in a natural and quiet environment. He works in a city, but wants to spend as much time out of the city as possible. He prefers small gatherings with friends over large events. He might be thinking of changing jobs in the future to work less indoors and more outdoors, and that's why he prefers a type of housing, that can be moved to another place or rent. He does not want to take the financial burden of a family house to have more money and time for hobbies.

Other usual customer of Tiny house s.r.o. are married couples, who's children already live on their own or single people, more often men than women. They share the preferences with the typical customer.

# Channels



## Channel phases

1. Advertisement
  - Online campaign
    - Website
    - Social networks
    - YouTube
    - Reality sites
    - Pinterest
    - PPC (Google search and all of the above)
  - Reality offices (founding period only)
  - Word of mouth
    - Real life showrooms (Commission)
    - Customer recommendations (Commission)
    - Video reviews
2. Customer decision making
  - Own showroom
  - Real life showrooms (Commission)
  - Video reviews
3. Call to action
  - "Order" or "contact us" online form
  - Customer communication hot line
4. Purchase
  - Customer order with deposit
4. Production and delivery
  - Suppliers and partners
  - Preparation of land (external labour force)
5. After sales
  - Customer support and communication
  - Past customer marketing (WoM, recommendations and real life showrooms, video reviews)

## Cost Structure

Marketing costs (PPC, webhosting, website development, video review productions)  
Sale commission to past customers  
Sale commission to reality offices  
Fixed deposits and costs of ordered products from suppliers and partners  
Fixed costs per kilometer for delivery services  
Fixed wages  
Commission for sales to employees  
Hourly wages for external workforce  
Material costs  
Aquisition costs of equipment  
Storing costs of equipment  
Maintanance costs of equipment  
Rent of machinery  
Product development costs (+225 USD for buying plans)  
Own office space, own showroom and land for storing manufactured Tiny houses before delivery (loan for land and construction)  
Traveling costs  
Other minor costs

## Revenue Streams

Fixed prices for ordered products and customizations/extra requirements:

- Deposits from customers (Aim: cover costs on cancelation)
- Payments from customers

Variable price per kilometer for delivery of the product

Extra fees for later changes/requirements

## Appendix C – Financial estimations

### NatureApartment budgets

1st Year - indirect costs	Cost per unit (CZK)	Number of units	Total cost (CZK)
Costs			
The purchase of Tiny house plans (USD 225)	4 863,00	1	4 863,00
The foundation of the company (s.r.o.)	5 960,00	1	5 960,00
Development of the Tiny house (plans)	75 000,00	1	75 000,00
Construction of 1st Tiny house - office	548 320,90	1	548 320,90
Construction of 2nd Tiny house - showroom	548 320,90	1	548 320,90
Purchase of land (390m <sup>2</sup> )	1 333,00	390	519 870,00
Shipping of 2 Tiny houses	12 874,40	2	25 748,80
Associated costs of preparation and instalation	132 777,58	2	265 555,15
Garden and outdoor spaces	119 323,00	1	119 323,00
Creation of YouTube channel content (videos)	10 000,00	2	20 000,00
Creation of photogallery of the Tiny House	2 250,00	3	6 750,00
Equipment & machinery purchase	164 818,00	1	164 818,00
Maintanance and spare parts of equipment and	40 000,00	1	40 000,00
Printer purchase	2 299,00	1	2 299,00
Electronics	45 000,00	1	45 000,00
Office supplies	9 434,00	1	9 434,00
Use of a personal car (55 000 km)	4,20	55000	231 000,00
Salary (1 person - yearly)	44 000,00	12	528 000,00
Phone provider fees (yearly)	1 140,00	12	13 680,00
Utilities (yearly)	40 000,00	1	40 000,00
Internet fees (yearly)	525,00	12	6 300,00
Webhosting and domain (yearly)	655,45	1	655,45
Total indirect costs per year			3 220 898,20

Following years - indirect costs	Cost per unit (CZK)	Number of units	Total cost (CZK)
Costs			
Creation of YouTube channel content (video reviews,	7 500,00	3	22 500,00
Creation of photogallery of the Tiny House	2 250,00	3	6 750,00
Office supplies	5 000,00	4	20 000,00
Use of a personal car (55 000 km)	4,20	55000	231 000,00
Salary (1 person - yearly)	44 000,00	12	528 000,00
Phone provider fees (yearly)	1 140,00	12	13 680,00
Utilities (yearly)	40 000,00	1	40 000,00
Internet fees (yearly)	637,50	12	7 650,00
Webhosting and domain (yearly)	655,45	1	655,45
Office, showroom and garden maintainance and	142 400,00	1	142 400,00
Maintanance and spare parts of equipment and	40 000,00	1	40 000,00
Total indirect costs per year			1 052 635,45

Direct costs	Cost per unit (CZK)	Number of units	Total cost (CZK)
Costs per unit			
Deposit to wood construction company	109 664,18	1	109 664,18
Payment to wood construction company	438 656,72	1	438 656,72
Payment to shipping company	12 874,40	1	12 874,40
Preparation and installation on land	132 777,58	1	132 777,58
Total direct costs per unit			693 972,87

Revenues (per business cycle)	Revenue per unit (CZK)	Number of units	Total revenues (CZK)
Deposit from customer	124 154,68	1	124 154,68
Payment from customer	703 543,20	1	703 543,20
Total revenues per unit			827 697,88

## NatureApartment's summaries

Foundation investment return	
Revenue per unit	827 697,88 CZK
Cost per unit (direct costs)	693 972,87 CZK
Profit per unit (direct costs)	108 894,07 CZK
Commission per unit	24 830,94 CZK
First year's costs	3 220 898,20 CZK
Number of sold units to return extra founding co	29,57826917

First year summary	
Number of sold units	0
Total costs - first year	3 220 898,20 CZK
<b>Total revenues</b>	0,00 CZK
Profit/loss	-3 220 898,20 CZK

Second year summary	
Number of sold units	18
Loss from last year(s)	3 220 898,20 CZK
Total costs (following years + direct costs)	13 544 147,19 CZK
Revenue per unit	827 697,88 CZK
Revenue per all production	14 898 561,91 CZK
Profit/loss	-1 866 483,48 CZK

Third year summary	
Number of sold units	24
Loss from last year(s)	1 866 483,48 CZK
Total costs (following years + direct costs)	17 707 984,44 CZK
Revenue per unit	827 697,88 CZK
Revenue per all production	19 864 749,21 CZK
Profit/loss	290 281,30 CZK

Fourth year summary	
Number of sold units	30
Loss from last year(s)	0,00 CZK
Total costs (following years + direct costs)	21 871 821,68 CZK
Revenue per unit	827 697,88 CZK
Revenue per all production	24 830 936,51 CZK
Profit/loss	2 959 114,83 CZK